

MORLEY STANWOOD COMMUNITY SCHOOLS

ANNUAL FINANCIAL REPORT

(with required supplementary and additional information)

JUNE 30, 2007

Baird, Cotter and Bishop, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

134 WEST HARRIS STREET CADILLAC, MICHIGAN 49601

PHONE: 231-775-9789 FAX: 231-775-9749

www.bcbcpa.com

MORLEY STANWOOD COMMUNITY SCHOOLS
MORLEY, MICHIGAN

ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2007

TABLE OF CONTENTS

	<u>PAGES</u>
Independent Auditors' Report	i-ii
Management's Discussion and Analysis	iii - ix
Basic Financial Statements	
Government-wide Financial Statements	
Statement of Net Assets	1
Statement of Activities	2
Fund Financial Statements	
Balance Sheet - Governmental Funds	3
Reconciliation of Balance Sheet of Governmental Funds to Net Assets	4
Statement of Revenue, Expenditures and Changes in Fund Balances - Governmental Funds	5
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	6
Fiduciary Funds	
Statement of Fiduciary Net Assets	7
Statement of Changes in Fiduciary Net Assets	8
Notes to Financial Statements	9-24
Required Supplementary Information	
Budgetary Comparison Schedule - General Fund	25
Combining and Individual Fund Financial Statements	
Combining Balance Sheet – Nonmajor Governmental Fund Types	26
Combining Statement of Revenues, Expenditures and Changes in Fund Balance – Nonmajor Governmental Fund Types	27
Financial Statements of Individual Funds	
General Fund	
Comparative Balance Sheet	28
Comparative Statement of Revenues, Expenditures and Changes in Fund Balance	29-30
Comparative Analysis of Revenues	31
Comparative Analysis of Expenditures	32-37

MORLEY STANWOOD COMMUNITY SCHOOLS
MORLEY, MICHIGAN

ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2007

TABLE OF CONTENTS

	<u>PAGES</u>
Special Revenue (School Service) Funds	
Combining Balance Sheet	38
Combining Statement of Revenues, Expenditures and Changes in Fund Balance	39
Food Service Fund	
Comparative Balance Sheet	40
Comparative Statement of Revenues, Expenditures and Changes in Fund Balance	41
Athletic Fund	
Comparative Balance Sheet	42
Comparative Statement of Revenues, Expenditures and Changes in Fund Balance	43
Public Library Fund	
Comparative Balance Sheet	44
Comparative Statement of Revenues, Expenditures and Changes in Fund Balance	45
Debt Retirement Funds	
Combining Balance Sheet	46
Combining Statement of Revenues, Expenditures and Changes in Fund Balance	47
1995 Debt Retirement Fund	
Comparative Balance Sheet	48
Comparative Statement of Revenues, Expenditures and Changes in Fund Balance	49
Durant Resolution Debt Retirement Fund	
Comparative Statement of Revenues, Expenditures and Changes in Fund Balance	50
1999 School Refunding Bond Debt Retirement Fund	
Comparative Balance Sheet	51
Comparative Statement of Revenues, Expenditures and Changes in Fund Balance	52
2003 Refunding Debt Retirement Fund	
Comparative Balance Sheet	53
Comparative Statement of Revenues, Expenditures and Changes in Fund Balance	54

MORLEY STANWOOD COMMUNITY SCHOOLS
MORLEY, MICHIGAN

ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2007

TABLE OF CONTENTS

	<u>PAGES</u>
Fiduciary Fund Types	
Combining Balance Sheet	55
Erickson Scholarship Private Purpose Trust Fund	
Comparative Balance Sheet	56
Comparative Statement of Revenues, Expenses and	
Changes in Fund Balance	57
Agency Fund	
Statement of Cash Receipts, Disbursements and Balance	58-60
Other Information	
Schedule of Bonds Payable	
1999 Refunding Bonds	61-62
1998 School Improvement Bonds	63
2003 Refunding Bonds	64

Baird, Cotter and Bishop, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

134 WEST HARRIS STREET CADILLAC, MICHIGAN 49601
PHONE: 231-775-9789 FAX: 231-775-9749
www.bcbcpa.com

July 13, 2007

INDEPENDENT AUDITORS' REPORT

To the Board of Education
Morley Stanwood Community Schools
Morley, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Morley Stanwood Community Schools, Morley, Michigan, as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Morley Stanwood Community Schools' management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Morley Stanwood Community Schools, Morley, Michigan, as of June 30, 2007, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 13, 2007, on our consideration of Morley Stanwood Community Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages iii through ix and 25, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Morley Stanwood Community Schools, Morley, Michigan basic financial statements. The combining and individual fund financial statements and other supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund financial statements and supplementary information have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter & Bishop, P.C.

MORLEY STANWOOD COMMUNITY SCHOOLS
MORLEY, MICHIGAN

MANAGEMENT’S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2007

Morley Stanwood Community Schools, a K-12 school district located in Montcalm, Mecosta and Newaygo Counties, Michigan has implemented the provisions of Governmental Accounting Standards Board Statement 34 (GASB 34). The Management’s Discussion and Analysis, a requirement of GASB 34, is intended to be the Morley Stanwood Community Schools administration’s discussion and analysis of the financial results for the fiscal year ended June 30, 2007.

Generally accepted accounting principles (GAAP), according to GASB 34, require the reporting of two types of financial statements: fund financial statements and government-wide financial statements.

A. Fund Financial Statements

For the most part, the fund financial statements are comparable to prior years’ financial statements. The primary difference is that the Account Groups (General Fixed Assets and General Long-Term Debt) are no longer reported. The fund level statements are reported on a modified accrual basis in that only those assets that are “measurable” and “currently available” are reported. Liabilities are recognized to the extent they are normally expected to be paid with current financial resources.

The fund statements are formatted to comply with the legal requirements of the Michigan Department of Education’s “Accounting Manual.” In the State of Michigan, school districts’ major instructional and instructional support activities are reported in the General Fund. Additional activities are reported in various other funds which include Special Revenue Funds and Debt Service Funds.

In the fund financial statements, capital assets purchased are reported as expenditures in the year of acquisition with no asset being reported. The issuance of debt is recorded as a financial resource. The current year’s payments of principal and interest on long-term obligations are recorded as expenditures. The obligations for future years’ debt service are not recorded in the fund financial statements.

B. Government-wide Financial Statements

The government-wide financial statements are calculated using full accrual accounting and more closely represent those presented by business and industry. The entire District’s assets and liabilities, both short and long-term, are reported. As such, these statements include capital assets, net of related depreciation, as well as the bonded debt of the District.

MORLEY STANWOOD COMMUNITY SCHOOLS
MORLEY, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2007

C. Summary of Net Assets

The following schedule summarizes the net assets at fiscal year ended June 30:

	<u>2007</u>	<u>2006</u>
Assets		
Current Assets	\$ 4,602,726	\$ 2,924,052
Non Current Assets		
Capital Assets	\$ 25,239,541	\$ 25,320,357
Less Accumulated Depreciation	(9,879,736)	(9,449,800)
 Total Non Current Assets	 \$ 15,359,805	 \$ 15,870,557
 Total Assets	 <u>\$ 19,962,531</u>	 <u>\$ 18,794,609</u>
 Liabilities		
Current Liabilities	\$ 4,026,877	\$ 2,179,219
Non Current Liabilities	11,897,878	13,022,101
 Total Liabilities	 <u>\$ 15,924,755</u>	 <u>\$ 15,201,320</u>
 Net Assets		
Invested in Capital Assets Net of Related Debt	\$ 3,002,851	\$ 2,429,662
Restricted for Debt Service	179,080	180,027
Unrestricted	855,845	983,600
 Total Net Assets	 <u>\$ 4,037,776</u>	 <u>\$ 3,593,289</u>
 Total Liabilities and Net Assets	 <u>\$ 19,962,531</u>	 <u>\$ 18,794,609</u>

D. Analysis of Financial Position

During the fiscal year ended June 30, 2007, the District's net assets increased by \$444,487. A few of the more significant factors affecting net assets during the year are discussed below:

MORLEY STANWOOD COMMUNITY SCHOOLS
MORLEY, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2007

1. Depreciation Expense

GASB 34 requires school districts to maintain a record of annual depreciation expense and the accumulation of depreciation expense over time. The net increase in accumulated depreciation expense is a reduction in net assets.

Depreciation expense is recorded on a straight-line basis over the estimated useful lives of the assets. In accordance with GAAP, depreciation expense is calculated based on the original cost of the asset less an estimated salvage value, where applicable. For the fiscal year ended June 30, 2007, \$669,195 was recorded for depreciation expense.

2. Capital Outlay Acquisitions

For the fiscal year ended June 30, 2007, \$158,443 of expenditures were capitalized and recorded as assets of the District. These additions to the District's capital assets will be depreciated over time as explained above.

The net effect of the new capital assets and the current year's depreciation is a decrease to capital assets in the amount of \$510,752 for the fiscal year ended June 30, 2007.

E. Results of Operations

For the fiscal year ended June 30, the results of operations, on a District-wide basis, were:

	2007		2006	
	Amount	% of Total	Amount	% of Total
General Revenues				
Property Taxes	\$ 3,122,569	20.14%	\$ 2,769,095	18.33%
Investment Earnings	100,179	0.65%	57,386	0.38%
State Sources	9,544,403	61.57%	9,679,056	64.10%
Other	225,775	1.46%	95,875	0.64%
Total General Revenues	\$12,992,926	83.82%	\$12,601,412	83.45%
Program Revenues				
Charges for Services	\$ 323,182	2.08%	\$ 321,895	2.13%
Operating Grants	2,186,290	14.10%	2,177,177	14.42%
Total Program Revenues	\$ 2,509,472	16.18%	\$ 2,499,072	16.55%
Total Revenues	\$15,502,398	100.00%	\$15,100,484	100.00%

MORLEY STANWOOD COMMUNITY SCHOOLS
MORLEY, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2007

Expenses

Instruction	\$ 8,270,313	54.92%	\$ 8,523,714	55.13%
Supporting Services	4,494,433	29.86%	4,752,985	30.74%
Food Service Activities	610,638	4.06%	614,861	3.98%
Athletic Activities	96,567	0.64%	80,235	0.52%
School Operated Public Library	68,299	0.45%	75,386	0.49%
Community Services	3,621	0.02%	3,886	0.03%
Interest on Long-Term Debt	571,222	3.79%	679,583	4.39%
Other Transactions	273,623	1.82%	58,044	0.37%
Unallocated Depreciation	669,195	4.44%	673,284	4.35%
Total Expenses	<u>\$15,057,911</u>	<u>100.00%</u>	<u>\$15,461,978</u>	<u>100.00%</u>
Changes in Net Assets	<u>\$ 444,487</u>		<u>\$ (361,494)</u>	

F. Analysis of Significant Revenues and Expenses

Significant revenues and expenditures are discussed in the segments below:

1. Property Taxes

The District levies 18 mills of property taxes for operations on non-homestead properties, less the mandatory reductions required by the Headlee Amendment, Article IX, Section 31. According to Michigan law, the taxable levy is based on the taxable valuation of properties. The annual taxable valuation increases are capped at the rate of the prior year's Consumer's Price Index increase or 5%, whichever is less. At the time property is sold, its taxable valuation is readjusted to the State Equalized Value, which in theory is half of the property's market value.

For the 2006-2007 fiscal year, the District levied \$ 1,482,917 in non-homestead property taxes.

The following table summarizes the general fund non-homestead property tax levies for operations for the past five years:

Fiscal Year	Non-Homestead Tax Levy
2006-2007	1,482,917
2005-2006	1,293,978
2004-2005	1,254,395
2003-2004	1,155,825
2002-2003	1,105,398

MORLEY STANWOOD COMMUNITY SCHOOLS
MORLEY, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2007

2. State Sources

The majority of the state sources is comprised of the per student foundation allowance. The State of Michigan funds districts based on a blended student enrollment. The blended enrollment consists of 75% of the current year's fall count and 25% of the prior year's spring count. For the 2006-2007 fiscal year, the District received \$7,085 per student FTE.

3. Student Enrollment

The following schedule summarizes the blended student enrollment for the past five fiscal years:

Fiscal Year	Blended Student FTE
2006-2007	1,595
2005-2006	1,642
2004-2005	1,635
2003-2004	1,625
2002-2003	1,603

4. Operating Grants

The District funds a significant portion of its operations with categorical sources. For the fiscal year ended June 30, 2007, federal, state, and other grants of this type were \$2,186,290.

G. General Fund Budgetary Highlights

The Uniform Budget Act of the State of Michigan requires that the local Board of Education approve the original budget for the upcoming fiscal year prior to its starting on July 1. Any amendments made to the operating budget must be approved by the Board prior to the close of the fiscal year on June 30.

For the 2006-2007 fiscal year, the District amended the general fund budget in April and June 2007. The following schedule shows a comparison of the original general fund budget, the final amended general fund budget and actual totals from operations:

MORLEY STANWOOD COMMUNITY SCHOOLS
MORLEY, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2007

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL
Total Revenues	\$ 13,185,385	\$ 13,063,557	\$ 13,035,976
<u>EXPENDITURES</u>			
Instruction	\$ 8,181,661	\$ 8,448,657	\$ 8,389,148
Supporting Services	4,791,326	4,735,741	4,582,790
Community Services	5,016	3,613	3,621
Other Transactions	174,475	273,583	273,623
Debt Service	0	0	14,083
Total Expenditures	\$ 13,152,478	\$ 13,461,594	\$ 13,263,265

The total revenues variance was only \$27,581 and the total expenditures variance was \$198,329.

H. Capital Asset and Debt Administration

1. Capital Assets

At June 30, 2007, the District has \$25,239,541 in a broad range of capital assets, including school buildings and facilities, school buses and other vehicles, and various types of equipment. This represents a net decrease of \$80,816 over the prior fiscal year. Depreciation expense for the year amounted to \$669,195 bringing the accumulated depreciation to \$9,879,736 as of June 30, 2007.

2. Long-Term Debt

At June 30, 2007, the District had \$10,944,642 in bonded debt outstanding. This represents a reduction of \$725,000 from the amount outstanding at the close of the prior fiscal year. The District also owes \$1,412,312 to the School Bond Loan Fund.

I. Factors Bearing on the District's Future

At the time that these financial statements were prepared and audited, the District was aware of the following items that could significantly affect its financial health in the future:

- The District continues to "tighten their financial belt" by closely evaluating any employee position as people retire or resign. This fall the Custodial Supervisor retired and he was replaced by the Transportation Supervisor who accepted the dual position of transportation and custodial. One of the district's maintenance people accepted the responsibility of scheduling custodial work and the district provides a stipend for that additional duty.

MORLEY STANWOOD COMMUNITY SCHOOLS
MORLEY, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2007

- The Pearson Math text implementation was completed this last year. After a year of study, the Elementary/MS implemented the Scott Foresman series 2005-06 and this year 06-07 the MS/HS implemented the Prentice Hall edition. Our MEAP and MME test scores have increased. Teacher response to **their choice** of the Math series has been most positive.
- The District's contracts with both the MEA teachers' Union and the MEA Support Staff Union expired in June. Negotiations are ongoing. Decreasing revenues, decreasing student enrollment, increasing expenditures, and increasing insurance benefit costs make the process very difficult.
- Last fall began a year-long study and exploration of the trimester structure for the HS schedule. All six high schools along with the Career Center in the Mecosta Osceola ISD decided to go into this educational initiative together. Fall 2007 will see the transformation in the high schools schedule.
- Two major technology changes will occur in the upcoming year with the phone system and the student data software program. The district has been researching for the last two years the most efficient and effective systems to replace our outdated technology. E-rates will provide financial assistance in the lease program we have selected for our voice and data systems.

J. Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report, or need additional financial information, please contact Morley Stanwood Community Schools, 4700 Northland Drive, Morley, Michigan 49336.

MORLEY STANWOOD COMMUNITY SCHOOLS

MORLEY, MICHIGAN

STATEMENT OF NET ASSETS

JUNE 30, 2007

	<u>ASSETS</u>	<u>Governmental Activities</u>
<u>CURRENT ASSETS</u>		
Cash		\$ 2,628,421
Taxes Receivable		12,271
Accounts Receivable		477
Inventories		5,882
Due from Other Governments		1,871,592
Prepaid Expense		56,812
Investments		27,271
Total Current Assets		<u>\$ 4,602,726</u>
<u>NON CURRENT ASSETS</u>		
Capital Assets		\$ 25,239,541
Less Accumulated Depreciation		<u>(9,879,736)</u>
Total Non Current Assets		<u>\$ 15,359,805</u>
TOTAL ASSETS		<u><u>\$ 19,962,531</u></u>
	<u>LIABILITIES AND NET ASSETS</u>	
<u>LIABILITIES</u>		
<u>CURRENT LIABILITIES</u>		
Accounts Payable		\$ 257,360
Accrued Interest Payable		77,795
Salaries Payable		910,022
Deferred Revenue		38,771
State Aid Anticipation Note Payable		1,924,000
Current Portion of Non Current Liabilities		<u>818,929</u>
Total Current Liabilities		<u>\$ 4,026,877</u>
<u>NON CURRENT LIABILITIES</u>		
Bonds Payable		\$ 10,944,642
Compensated Absences and Severance Plan		246,756
Installment Notes Payable		49,525
School Bond Loan Fund Loan		1,412,312
Accrued Interest on School Bond Loan Fund		63,572
Less Current Portion of Non Current Liabilities		<u>(818,929)</u>
Total Non Current Liabilities		<u>\$ 11,897,878</u>
Total Liabilities		<u>\$ 15,924,755</u>
<u>NET ASSETS</u>		
Invested in Capital Assets Net of Related Debt		\$ 3,002,851
Restricted for Debt Service		179,080
Unrestricted		<u>855,845</u>
Total Net Assets		<u>\$ 4,037,776</u>
TOTAL LIABILITIES AND NET ASSETS		<u><u>\$ 19,962,531</u></u>

The notes to the financial statements are an integral part of this statement.

MORLEY STANWOOD COMMUNITY SCHOOLS
MORLEY, MICHIGAN

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2007

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES		GOVERNMENTAL
		CHARGES FOR SERVICES	OPERATING GRANTS	ACTIVITIES
				NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS
<u>GOVERNMENTAL ACTIVITIES</u>				
Instruction				
Basic Programs	\$ 6,217,336	\$ 3,150	\$ 27,002	\$ (6,187,184)
Added Needs	1,852,859	0	1,058,176	(794,683)
Adult/Continuing Education	200,118	0	0	(200,118)
Supporting Services				
Pupil	265,707	0	179,597	(86,110)
Instructional Staff	457,163	0	241,653	(215,510)
General Administration	370,612	0	0	(370,612)
School Administration	848,385	0	0	(848,385)
Business	89,637	0	0	(89,637)
Operation and Maintenance				
of Plant	1,534,395	0	2,971	(1,531,424)
Pupil Transportation Services	772,487	0	0	(772,487)
Support Services Technology	156,047	0	0	(156,047)
Community Services	3,621	0	3,621	0
Food Service Activities	610,638	216,684	377,015	(16,939)
Athletic Activities	96,567	98,643	0	2,076
School Operated Public Library	68,299	4,705	65,255	1,661
Interest on Long Term Debt	571,222	0	0	(571,222)
Other Transactions	273,623	0	231,000	(42,623)
Unallocated Depreciation	669,195	0	0	(669,195)
Total Governmental Activities	<u>\$15,057,911</u>	<u>\$ 323,182</u>	<u>\$ 2,186,290</u>	<u>\$ (12,548,439)</u>
<u>GENERAL REVENUES</u>				
Property Taxes - General Purposes				\$ 1,482,917
Property Taxes - Debt Service				1,639,652
Investment Earnings				100,179
State Sources				9,544,403
Gain on Sale of Fixed Assets				2,252
Other				223,523
Total General Revenues				<u>\$ 12,992,926</u>
Change in Net Assets				\$ 444,487
NET ASSETS - Beginning of Year				<u>3,593,289</u>
NET ASSETS - End of Year				\$ 4,037,776

The notes to the financial statements are an integral part of this statement.

MORLEY STANWOOD COMMUNITY SCHOOLS

MORLEY, MICHIGAN

BALANCE SHEET
GOVERNMENTAL FUNDS

JUNE 30, 2007

	GENERAL FUND	OTHER NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<u>ASSETS</u>			
Cash	\$ 2,101,483	\$ 526,938	\$ 2,628,421
Taxes Receivable	7,724	4,547	12,271
Accounts Receivable	477	0	477
Due from Other Funds	4,361	1,454	5,815
Inventories	0	5,882	5,882
Due from Other Governments	1,871,592	0	1,871,592
Prepaid Expenditures	56,812	0	56,812
Investments	27,271	0	27,271
TOTAL ASSETS	\$ 4,069,720	\$ 538,821	\$ 4,608,541
<u>LIABILITIES AND FUND BALANCES</u>			
<u>LIABILITIES</u>			
Accounts Payable	\$ 254,632	\$ 2,728	\$ 257,360
Salaries and Fringes Payable	910,022	0	910,022
Due to Other Funds	1,394	4,421	5,815
State Aid Anticipation Note Payable	1,924,000	0	1,924,000
Deferred Revenue	44,064	2,647	46,711
Total Liabilities	\$ 3,134,112	\$ 9,796	\$ 3,143,908
<u>FUND BALANCES</u>			
Reserved for Inventory	\$ 0	\$ 5,882	\$ 5,882
Reserved for Debt Service	0	320,447	320,447
Reserved for Prepaid Expenditures	56,812		56,812
Unreserved, Designated for, Reported in:			
Special Revenue Funds	0	54,462	54,462
Capital Outlay	100,000	0	100,000
Unreserved, Undesignated Reported in:			
General Fund	778,796	0	778,796
Special Revenue Funds	0	148,234	148,234
Total Fund Balances	\$ 935,608	\$ 529,025	\$ 1,464,633
TOTAL LIABILITIES AND FUND BALANCES	\$ 4,069,720	\$ 538,821	\$ 4,608,541

The notes to the financial statements are an integral part of this statement.

MORLEY STANWOOD COMMUNITY SCHOOLS
MORLEY, MICHIGAN

RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS
TO STATEMENT OF NET ASSETS

JUNE 30, 2007

Total Governmental Fund Balances	\$ 1,464,633
----------------------------------	--------------

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and are not reported in the funds

The cost of the capital assets is	\$ 25,239,541	
Accumulated depreciation is	<u>(9,879,736)</u>	15,359,805

Long term liabilities are not due and payable in the current period and are not reported in the funds

Bonds Payable	(12,356,954)
Compensated Absences	(246,756)
Installment Notes Payable	(49,525)

Balance of taxes receivable at June 30, 2007, expected to be collected after September 1, 2007	7,940
--	-------

Accrued interest is not included as a liability in government funds, it is recorded when paid	<u>(141,367)</u>
---	------------------

NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 4,037,776</u></u>
---------------------------------------	----------------------------

The notes to the financial statements are an integral part of this statement.

MORLEY STANWOOD COMMUNITY SCHOOLS
MORLEY, MICHIGAN

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2007

	GENERAL FUND	OTHER NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<u>REVENUES</u>			
Local Sources	\$ 1,726,712	\$ 2,082,702	\$ 3,809,414
State Sources	10,490,849	40,749	10,531,598
Federal Sources	747,720	342,971	1,090,691
Other Transactions	70,695	0	70,695
Total Revenues	\$ 13,035,976	\$ 2,466,422	\$ 15,502,398
<u>EXPENDITURES</u>			
Instruction			
Basic Programs	\$ 6,336,171	\$ 0	\$ 6,336,171
Added Needs	1,852,859	0	1,852,859
Adult/Continuing Education	200,118	0	200,118
Supporting Services			
Pupil	265,707	0	265,707
Instructional Staff	457,163	0	457,163
General Administration	370,612	0	370,612
School Administration	848,385	0	848,385
Business	92,242	0	92,242
Operation and Maintenance of Plant	1,556,539	0	1,556,539
Pupil Transportation Services	836,095	0	836,095
Support Services Technology	156,047	0	156,047
Community Services	3,621	0	3,621
Food Service Activities	0	610,638	610,638
Athletic Activities	0	118,567	118,567
School Operated Public Library	0	68,299	68,299
Debt Service			
Principal	14,083	1,083,941	1,098,024
Interest	0	581,511	581,511
Other Transactions	273,623	0	273,623
Total Expenditures	\$ 13,263,265	\$ 2,462,956	\$ 15,726,221
Excess (Deficiency) of Revenues Over Expenditures	\$ (227,289)	\$ 3,466	\$ (223,823)
<u>OTHER FINANCING SOURCES (USES)</u>			
Loan Proceeds	\$ 63,608	\$ 0	\$ 63,608
Transfers In	6,998	0	6,998
Transfers Out	0	(6,998)	(6,998)
Total Other Financing Sources (Uses)	\$ 70,606	\$ (6,998)	\$ 63,608
Net Change in Fund Balance	\$ (156,683)	\$ (3,532)	\$ (160,215)
FUND BALANCE - Beginning of Year	1,092,291	532,557	1,624,848
FUND BALANCE - End of Year	\$ 935,608	\$ 529,025	\$ 1,464,633

The notes to the financial statements are an integral part of this statement.

MORLEY STANWOOD COMMUNITY SCHOOLS
MORLEY, MICHIGAN

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2007

Net change in Fund Balances Total Governmental Funds	\$ (160,215)
--	--------------

Amounts reported for governmental activities are different because:

Governmental funds report capital outlays as expenditures; in the statement of activities these costs are allocated over their estimated useful lives as depreciation.

Depreciation Expense	(669,195)
Capital Outlay	158,443

The issuance of Long-Term Debt provides current financial resources to governmental funds	(63,608)
---	----------

Revenue is recorded on the accrual method in the statement of activities; in the governmental funds it is recorded on the accrual method and not considered available

Deferred Revenue for Taxes - Beginning of Year	(5,335)
Deferred Revenue for Taxes - End of Year	7,940

Accrued interest on bonds is recorded in the statement of activities when incurred; it is not recorded in governmental funds until it is paid:

Accrued Interest Payable - Beginning of Year	151,656
Accrued Interest Payable - End of Year	(141,367)

Repayments of principal on long-term debt is an expenditure in the governmental funds, but not in the statement of activities (where it is a reduction of liabilities)	1,098,024
--	-----------

Employees Early Retirement and Compensated Absences are reported on the accrual method in the statement of activities, and recorded as an expenditure when financial resources are used in the governmental funds:

Compensated Absences and Severance Plan - Beginning of Year	314,900
Compensated Absences and Severance Plan - End of Year	<u>(246,756)</u>

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u>\$ 444,487</u>
---	-------------------

The notes to the financial statements are an integral part of this statement.

MORLEY STANWOOD COMMUNITY SCHOOLS
MORLEY, MICHIGAN

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS

JUNE 30, 2007

	<u>PRIVATE PURPOSE TRUST FUND</u>	<u>AGENCY FUNDS</u>
<u>ASSETS</u>		
Cash	<u>\$ 29,519</u>	<u>\$ 159,856</u>
<u>LIABILITIES AND NET ASSETS</u>		
<u>LIABILITIES</u>		
Due to Groups and Organizations	\$ 0	\$ 159,856
<u>NET ASSETS</u>		
Reserved for Trust Activities	<u>29,519</u>	<u>0</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 29,519</u>	<u>\$ 159,856</u>

The notes to the financial statements are an integral part of this statement.

MORLEY STANWOOD COMMUNITY SCHOOLS
MORLEY, MICHIGAN

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS

YEAR ENDED JUNE 30, 2007

	<u>PRIVATE PURPOSE TRUST FUND</u>
<u>ADDITIONS</u>	
Earnings on Investments and Deposits	\$ 934
<u>DEDUCTIONS</u>	
Scholarship Awards	<u>1,440</u>
Change in Net Assets	\$ (506)
NET ASSETS - Beginning of Year	<u>30,025</u>
NET ASSETS - End of Year	<u><u>\$ 29,519</u></u>

The notes to the financial statements are an integral part of this statement.

MORLEY STANWOOD COMMUNITY SCHOOLS
MORLEY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the Morley Stanwood Community Schools have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

A. Reporting Entity

Morley Stanwood Community Schools (the "District") is located in Mecosta, Newaygo and Montcalm Counties with its administrative offices located in Morley, Michigan. The District is governed by the Morley Stanwood Community Schools Board of Education (the "Board"), which has responsibility and control over all activities related to public school education within the District. The District provides services to its 1,595 students in elementary, middle school, high school, special education instruction, guidance, health, transportation, food service, athletics and public library. The District receives funding from local, state, and federal government sources and must comply with all of the requirements of these funding source entities. However, the District is not included in any other governmental reporting entity as defined by the generally accepted accounting principles. Board members are elected by the public and have decision-making authority, the power to designate management, the ability to significantly influence operations, and the primary accountability for fiscal matters. In addition, the District's reporting entity does not contain any component units as defined in Governmental Accounting Standards Board Statement No. 14.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. The government-wide financial statements categorize primary activities as either governmental or business type. All of the District's activities are classified as governmental activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges paid by recipients who purchase, use or directly benefit from goods or services by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. State Foundation Aid, certain revenue from the intermediate school district and other unrestricted items are not included as program revenues but instead as *general revenues*.

MORLEY STANWOOD COMMUNITY SCHOOLS
MORLEY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

In the government-wide statement of net assets, the governmental activities column (a) is presented on a consolidated basis, (b) and is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The District's net assets are reported in three parts - invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets.

The District first utilizes restricted resources to finance qualifying activities.

The government-wide statement of activities reports both the gross and net cost of each of the District's functions. The functions are also supported by general government revenues (property taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The statement of activities reduces gross expenses by related program revenues and operating grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The net costs (by function) are normally covered by general revenue (property taxes, state sources, intermediate district sources, interest income and other revenues).

The District does not allocate indirect costs.

This government-wide focus is more on the sustainability of the District as an entity and the change in the District's net assets resulting from the current year's activities.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Governmental Funds - Governmental funds are those funds through which most school district functions typically are financed. The acquisition, use and balances of the school district's expendable financial resources and the related current liabilities are accounted for through governmental funds.

The District reports the following major governmental fund:

The *general fund* is the District's primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund.

Other Non-major Funds

The *special refund funds* account for revenue sources that are legally restricted to expenditures for specific purposes (not including expendable trusts or major capital projects). The District accounts for its food service, athletic, and public library activities in the special revenue funds.

The *debt service fund* accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

MORLEY STANWOOD COMMUNITY SCHOOLS
MORLEY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

Fiduciary funds account for assets held by the District in a trustee capacity or as an agent on behalf of others. Trust funds account for assets held by the District under the terms of a formal trust agreement. Fiduciary funds are not included in the government-wide statements.

The *private purpose trust funds* are accounted for using the accrual method of accounting. Private purpose trust funds account for contributions earmarked for scholarships available to qualifying students of the District.

The *agency fund* is custodial in nature and does not present results of operations or have a measurement focus. Agency funds are accounted for using the modified accrual basis of accounting. This fund is used to account for assets that the District holds for others in an agency capacity (primarily student activities).

C. Measurement Focus, Basis of Accounting and Basis of Presentation

Accrual Method

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Modified Accrual Method

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, state and federal aid and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the District.

MORLEY STANWOOD COMMUNITY SCHOOLS
MORLEY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

State Revenue

The State of Michigan utilizes a foundation grant approach which provides for a specific annual amount of revenue per pupil based on a statewide formula. The Foundation is funded from state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to school districts based on information supplied by the districts. For the year ended June 30, 2007, the foundation allowance was based on pupil membership counts taken in February and September of 2006. For fiscal year ended June 30, 2007, the per pupil foundation allowance was \$7,085 for Morley Stanwood Community Schools.

The state portion of the foundation is provided primarily by a state education property tax millage of 6 mills and an allocated portion of state sales and other taxes. The local portion of the foundation is funded primarily by non-homestead property taxes which may be levied at a rate of up to 18 mills. The State revenue is recognized during the foundation period and is funded through payments from October 2006 to August 2007. Thus, the unpaid portion at June 30th is reported as due from other governmental units.

The District also receives revenue from the state to administer certain categorical education programs. State rules require that revenue earmarked for these programs be used for its specific purpose. Certain governmental funds require an accounting to the state of the expenditures incurred. For categorical funds meeting this requirement, funds received, which are not expended by the close of the fiscal year are recorded as deferred revenue. Other categorical funding is recognized when the appropriation is received.

D. Other Accounting Policies

1. Cash and Investments

Cash includes amounts in demand deposits.

Investments are carried at market value.

The District complies with State statutes regarding investment of funds.

The Board policy on investment of funds authorizes the School District to invest as follows:

- (a) Bonds, bills, or notes of the United States, or obligations, the principal and interest of which are fully guaranteed by the United States Government.
- (b) Certificates of deposit issued by any state or national bank organized and authorized to operate in this state.
- (c) Commercial paper rated prime at the time of purchase and maturing not more than 270 days after the date of purchase.

MORLEY STANWOOD COMMUNITY SCHOOLS
MORLEY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

(d) Securities issued or guaranteed by agencies or instrumentalities of the United States.

The School's deposits and investments are held separately by several of the School District's funds.

2. Short-Term Interfund Receivables/Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the balance sheet. Short-term interfund loans are classified as "interfund receivables/payables".

3. Property Taxes

Property taxes levied by the District are collected by various municipalities and periodically remitted to the District. Property taxes are assessed as of January 1 and are billed and due December 1. Unpaid taxes become delinquent as of February 14th and are subject to penalties and interest after that date. Uncollected taxes at year-end are not material.

For the year ended June 30, 2007, the District levied the following amounts per \$1,000 of taxable valuation:

<u>Fund</u>	<u>Mills</u>
General Fund - Non-homestead	18.00
Debt Service Fund - Homestead and Non-homestead	7.00

4. Inventories and Prepaid Expenditures

Inventories are valued at cost. Inventories in the special revenue funds consisting of expendable supplies held for consumption, are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenditures.

5. Capital Assets

Capital assets purchased or acquired are capitalized at historical cost or estimated historical cost. Donated fixed assets are valued at their estimated fair market value on the date received.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets.

Depreciation on all assets is provided on the straight-line basis over the estimated useful lives as follows:

MORLEY STANWOOD COMMUNITY SCHOOLS
MORLEY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

Buildings and additions	50 years
Furniture and other equipment	5-15 years

The District's capitalization policy is to capitalize individual amounts exceeding \$5,000.

6. Compensated Absences

It is the District's policy to permit employees to accumulate earned but unused sick pay and comp time benefits. The amount allowable to be compensated for depends on the position and the longevity of the individual employee. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

7. Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuance are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures. The District has opted to apply the provisions of GASB 34 paragraph 146 which allows the amortization of premiums, discounts and bond issuance costs to be applied prospectively for all bonds issued after July 1, 2002.

8. Fund Balance

In the fund financial statements, the unreserved fund balances for governmental funds represent the amount available for budgeting future operations. Reservations of fund balance are for amounts that are not available for appropriation or are legally restricted by outside parties for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

9. Use of Estimates

The process of preparing basic financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenditures. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

MORLEY STANWOOD COMMUNITY SCHOOLS
MORLEY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

- A. Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the general, special revenue, and debt funds.

The District maintains a formalized encumbrance system. Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting - under which purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation - is utilized in the governmental funds. Encumbrances outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be honored during the subsequent year.

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means of financing them. The level of control for the budgets is at the functional level as set forth and presented as required supplementary information.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to July 1, the budget is legally adopted by the School Board resolution pursuant to the Uniform Budgeting and Accounting Act (P.A. 621 of 1978). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financial sources will be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, in excess of the amount appropriated. Violations if any are noted in the required supplementary information section.
4. The superintendent is charged with general supervision of the budgets and shall hold the department heads responsible for performance of their responsibilities.
5. During the year the budgets are monitored and amendments to the budget resolution are made when it is deemed necessary.
6. Budgeted amounts are as originally adopted on June 19, 2006, or as amended by the School Board of Education in April and June 2007.

MORLEY STANWOOD COMMUNITY SCHOOLS
MORLEY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

B. Excess of Expenditures Over Appropriations

Excess of expenditures over appropriations occurred in the following funds:

General Fund – Pupil Transportation Services expenditures of \$836,095 exceeded appropriations of \$832,369 by \$3,726. Community Services expenditures of \$3,621 exceeded appropriations of \$3,613 by \$8. Other Transactions expenditures of \$273,623 exceeded appropriations of \$273,583 by \$40. Debt Service expenditures of \$14,083 exceeded appropriations of \$0 by \$14,083. These overages were funded by available fund balance. A budget was not adopted for the Food Service and Athletic Fund.

NOTE 3 – DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments - Credit Risk

The District's deposits and investments are all on deposit with Chemical Bank, First Bank, and Michigan School District Liquid Asset Fund Plus.

Investment rate risk. The District will minimize Interest Rate Risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investing pools and limiting the average maturity in accordance with the District's cash requirement.

Foreign currency risk. The District is not authorized to invest in investments, which have this type of risk.

Credit risk. The District will minimize Custodial Credit Risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities listed in the District's investment policy; and pre-qualifying the financial institutions, brokers/dealer, intermediaries and advisors with which the District will do business in accordance with the District's investment policy.

Concentration of credit risk. The District will minimize Concentration of Credit Risk, which is the risk of loss attributed to the magnitude of the District's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

MORLEY STANWOOD COMMUNITY SCHOOLS
MORLEY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

Custodial credit risk – deposits. In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. As of June 30, 2007, \$2,611,700 of the government's bank balance of \$3,234,520 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial credit risk – investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District's investments are categorized to give an indication of the level of risk assumed by the District at year end. Category 1 includes investments that are insured or registered, or securities held by the District or the District's agent in the District's name. Category 2 includes investments that are uninsured and unregistered with securities held by the counterparty's trust department or its agent in the District's name. Category 3 includes investments that are uninsured and unregistered, with the securities held by the counterparty, or by its trust department or its agent but not in the District's name. At year end all of the District's investments were uncategorized as to risk.

At year-end, the only investments were investment trust funds.

Investments not subject to categorization:

Investment Trust Funds \$ 27,271

The District invests certain excess funds in the Michigan Investment Liquid Asset Fund (MILAF). MILAF is an external pooled investment fund of "qualified" investments for Michigan school districts. MILAF is not regulated nor is it registered with the SEC. MILAF reports that as of June 30, 2007, the fair value of the District's investments is the same as the value of the pool shares.

Balance sheet classifications:

	Deposits	Investments	Fiduciary Assets	Total
Cash	\$ 2,628,421	\$ 0	\$ 189,375	\$ 2,817,796
Investments	0	27,271	0	27,271
	<u>\$ 2,628,421</u>	<u>\$ 27,271</u>	<u>\$ 189,375</u>	<u>\$ 2,845,067</u>

MORLEY STANWOOD COMMUNITY SCHOOLS
MORLEY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

B. Receivables

Receivables as of year end for the government's individual major funds and nonmajor, and fiduciary funds in the aggregate; including the applicable allowances for uncollectible accounts, are as follows:

	General	Nonmajor and Other Funds	Total
Receivables			
Taxes	\$ 7,724	\$ 4,547	\$ 12,271
Accounts	477	0	477
Due from Other Governments	1,871,592	0	1,871,592
Total Receivables	<u>\$ 1,879,793</u>	<u>\$ 4,547</u>	<u>\$ 1,884,340</u>

The allowance for doubtful accounts is not considered to be material for disclosure.

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

	Unavailable	Unearned
Delinquent Property Taxes Receivable (General Fund)	\$ 5,293	\$ 0
Delinquent Property Taxes Receivable (Debt Service Funds)	2,647	0
Grants Receipts Received, But Not Yet Utilized	0	38,771
Total Deferred/Unearned Revenue for Governmental Funds	<u>\$ 7,940</u>	<u>\$ 38,771</u>

MORLEY STANWOOD COMMUNITY SCHOOLS
MORLEY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

C. Capital Assets

A summary of changes in the District's capital assets follows:

	Balance July 1, 2006	Additions	Deletions	Balance June 30, 2007
Capital assets being depreciated				
Buildings and additions	\$ 17,910,980	\$ 0	\$ 0	\$ 17,910,980
Machinery and equipment	6,040,968	94,835	188,279	5,947,524
Transportation equipment	1,368,409	63,608	50,980	1,381,037
Subtotal	<u>\$ 25,320,357</u>	<u>\$ 158,443</u>	<u>\$ 239,259</u>	<u>\$ 25,239,541</u>
Less accumulated depreciation for:				
Buildings and additions	\$ 3,990,333	\$ 306,000	\$ 0	\$ 4,296,333
Machinery and equipment	4,561,394	238,446	188,279	4,611,561
Transportation equipment	898,073	124,749	50,980	971,842
Accumulated depreciation	<u>\$ 9,449,800</u>	<u>\$ 669,195</u>	<u>\$ 239,259</u>	<u>\$ 9,879,736</u>
Net Capital assets	<u>\$ 15,870,557</u>	<u>\$ (510,752)</u>	<u>\$ 0</u>	<u>\$ 15,359,805</u>

Depreciation for the fiscal year ended June 30, 2007 amounted to \$669,195. The District determined that it was impractical to allocate depreciation to the various governmental activities as the assets serve multiple functions.

D. Long-Term Debt

The District issues general obligation bonds to provide funds for the acquisition, construction and improvement of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the District.

The following is a summary of the long-term debt transactions for the School District for the year ended June 30, 2007:

MORLEY STANWOOD COMMUNITY SCHOOLS
MORLEY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

	SCHOOL BOND LOAN FUND	EQUIPMENT CONTRACTS	COMPENSATED ABSENCES AND SEVERANCE PLAN	BONDS	TOTAL
Balance, July 1, 2006	\$ 1,771,253	\$ 0	\$ 314,900	\$ 11,669,642	\$13,755,795
Additions	0	63,608	0	0	63,608
Deletions	(358,941)	(14,083)	(68,144)	(725,000)	(1,166,168)
Balance, June 30, 2007	\$ 1,412,312	\$ 49,525	\$ 246,756	\$ 10,944,642	\$12,653,235
Less current portion	0	(11,429)	(72,500)	(735,000)	(818,929)
Total due after one year	\$ 1,412,312	\$ 38,096	\$ 174,256	\$ 10,209,642	\$11,834,306

Long-Term Debt at June 30, 2007 is comprised of the following:

1999 refunding bonds due in annual installments of \$55,000 to \$785,000 through May 1, 2021 with interest at 4.25% to 4.85% \$ 8,630,000

2003 Refunding Bonds due in annual installments of \$160,000 to \$695,000 through May 1, 2011, with interest at 2.63% to 3.30%. 2,220,000

Total general obligation debt \$ 10,850,000

School Bond Loan Fund loan beginning October 30, 1996, Interest at 4.75%. This is a loan from the State of Michigan pursuant to P.A. 108 of 1961. The District's debt retirement millage is limited to 7.0 mills. As long as the tax revenue from this millage is insufficient to make current debt service payments on the District's bonds, additional loans can be obtained in amounts sufficient to make bond and interest payments. No payments are due on the School Bond Loan Fund loan or accrued interest until such time as tax revenues exceed bond debt service requirements. Does not include accrued interest of \$63,572. 1,412,312

1998 Limited obligation bonds (Durant bonds) due in annual installments of \$10,466 to \$70,327 through May 2013. 94,642

School Bus Contract due in annual installments of \$14,083 through July 14, 2010, including interest at 5.36%. 49,525

\$ 12,406,479

The Durant bonds, including interest, was issued in anticipation of payment to the District as appropriated and to be appropriated by the State of Michigan under Section 11g(3) of Act 94 (State Aid payments). The District has pledged and assigned to the bondholder all rights to these State Aid payments as security for the Bond.

MORLEY STANWOOD COMMUNITY SCHOOLS
MORLEY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

The annual requirements to amortize all debt outstanding as of June 30, 2007, including interest payments of \$3,870,215 are as follows:

YEAR ENDING JUNE 30,	Principal	Interest	Amounts Payable
2008	\$ 746,429	\$ 469,423	\$ 1,215,852
2009	753,519	457,612	1,211,131
2010	775,166	428,021	1,203,187
2011	791,086	401,873	1,192,959
2012	852,826	369,097	1,221,923
2013-2017	3,935,141	1,301,463	5,236,604
2018-2021	3,140,000	379,154	3,519,154
	10,994,167	3,806,643	14,800,810
Compensated absences and severance plan	246,756	0	246,756
School Bond Loan Fund	1,412,312	63,572	1,475,884
	<u>\$ 12,653,235</u>	<u>\$ 3,870,215</u>	<u>\$ 16,523,450</u>

The annual requirements to amortize the accrued sick leave and School Bond Loan Fund is uncertain because it is unknown when the repayments will be made.

E. Interfund Receivables, Payables, and Transfers

Interfund Receivables and Payables as shown in the individual fund financial statements at June 30, 2007, were:

	INTERFUND RECEIVABLES	INTERFUND PAYABLES
General Fund	\$ 4,361	\$ 1,394
School Service Fund - Food Service	1,394	0
Debt Retirement Fund - 1995 Debt Fund	0	60
Debt Retirement Fund - 1999 Refunding Debt Fund	60	1,657
Debt Retirement Fund - 2003 Refunding Debt Fund	0	2,704
	<u>\$ 5,815</u>	<u>\$ 5,815</u>

MORLEY STANWOOD COMMUNITY SCHOOLS
MORLEY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

Interfund transfers are as shown in the individual fund financial statements at June 30, 2007, were:

	TRANSFERS IN	TRANSFERS OUT
General Fund	\$ 6,998	\$ 0
School Service Fund - Public Library Fund	0	6,998
	<u>\$ 6,998</u>	<u>\$ 6,998</u>

F. Leases

The rental expense for the year ended June 30, 2007, totaled \$44,277.

The rental expense consists of lease agreements on copiers, computers, band instruments and alternative education building. The future minimum lease payments for these leases are as follows:

<u>YEAR ENDING</u>	
2008	\$ 15,405
2009	14,525
2010	11,062
2011	5,952
2012	3,472
	<u>\$ 50,416</u>

G. Short-Term Debt

On June 8, 2006, the District issued a State Aid Note in the amount of \$250,000 which has been paid in full. On August 18, 2006, the District issued another State Aid Note in the amount of \$1,924,000. This note matures on August 20, 2007, with interest at 3.68%.

NOTE 4 - OTHER INFORMATION

A. Employee Retirement System

Plan Description. The District contributes to the statewide Michigan Public School Employees' Retirement System (MPERS), a cost-sharing multiple-employer defined benefit pension plan administered by the nine member board of MPERS. The MPERS provides retirement benefits and postretirement benefits for health, dental and vision. The MPERS was established by Act

MORLEY STANWOOD COMMUNITY SCHOOLS
MORLEY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

136 of 1945 and operated under the provisions of Public Act 300 of 1980, as amended. The MPERS issues a publicly available financial report that includes financial statements and required supplementary information for MPSERS. That report may be obtained by writing to Michigan Public School Employees Retirement System, P.O. Box 30171, Lansing, Michigan 48909 or by calling (517) 322-5103.

Funding Policy - Member Investment Plan (MIP) members enrolled in MIP prior to January 1, 1990 contribute a permanently fixed rate of 3.9% of gross wages. The MIP contribution rate was 4.0% from January 1, 1987, the effective date of the MIP, until January 1, 1990 when it was reduced to 3.9%. Members first hired January 1, 1990 or later and returning members who did not work between January 1, 1987 through December 31, 1989 contribute at the following graduated permanently fixed contribution rate: 3% of the first \$5,000; 3.6% of \$5,001 through \$15,000; 4.3% of all wages over \$15,000.

Basic Plan members make no contributions. For a limited period ending December 31, 1992, an active Basic Plan member could enroll in the MIP by paying the contributions that would have been made had enrollment occurred initially on January 1, 1987 or on the date of hire, plus interest. MIP contributions at the rate of 3.9% of gross wages begin at enrollment. Market rate interest is posted to member accounts on July 1st on all MIP monies on deposit for 12 months. If a member leaves MPSERS service and no pension is payable, the member's accumulated contribution plus interest, if any, are refundable.

The District is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefit amounts on a cash disbursement basis. The rates for the year ended June 30, 2007, were 16.34% of payroll through September 30, 2006, and 17.74% effective October 1, 2006. The contribution requirements of plan members and the District are established and may be amended by the MPSERS Board of Trustees. The District contributions to MPSERS for the year ended June 30, 2007, 2006, and 2005 were \$1,257,861, \$1,230,378, and \$1,032,862 respectively, and were equal to the required contribution for those years.

The District is not responsible for the payment of retirement benefits which is the responsibility of the State of Michigan.

Other Post Employment Benefits Funding Policy

Under the MPSERS Act, all retirees have the option of continuing health, dental and vision coverage.

B. Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees' and natural disasters. The District participates in two distinct pools of educational institutions within the State of Michigan for self-insuring property and casualty and workers' disability compensation. The pools are considered

MORLEY STANWOOD COMMUNITY SCHOOLS
MORLEY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

public entity risk pools. The District pays annual premiums under retrospectively rated policy to the pools for the respective insurance coverage. In the event a pool's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. The workers' compensation pool and the property casualty pool maintain reinsurance for claims generally in excess of \$500,000 for each occurrence with the overall maximum coverage varying depending on the specific type coverage of reinsurance.

The District continues to carry commercial insurance for other risks of loss, including employee health and accident insurance. No settlements have occurred in excess of coverage for June 30, 2007 or any of the prior three years.

MORLEY STANWOOD COMMUNITY SCHOOLS

MORLEY, MICHIGAN

REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

YEAR ENDED JUNE 30, 2007

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL
<u>REVENUES</u>			
Local Sources	\$ 1,441,852	\$ 1,732,523	\$ 1,726,712
State Sources	10,924,133	10,478,032	10,490,849
Federal Sources	818,200	782,309	747,720
Other Transactions	1,200	70,693	70,695
Total Revenues	<u>\$ 13,185,385</u>	<u>\$13,063,557</u>	<u>\$ 13,035,976</u>
<u>EXPENDITURES</u>			
Instruction			
Basic Programs	\$ 6,184,337	\$ 6,371,955	\$ 6,336,171
Added Needs	1,797,589	1,873,915	1,852,859
Adult/Continuing Education	199,735	202,757	200,118
Supporting Services			
Pupil	275,489	266,719	265,707
Instructional Staff	484,574	505,055	457,163
General Administration	488,222	382,643	370,612
School Administration	977,135	893,141	848,385
Business	21,700	100,200	92,242
Operation and Maintenance of Plant	1,539,656	1,578,775	1,556,539
Pupil Transportation Services	833,219	832,369	836,095
Support Services Technology	171,331	176,839	156,047
Community Services	5,016	3,613	3,621
Other Transactions	174,475	273,583	273,623
Debt Service			
Principal	0	0	14,083
Total Expenditures	<u>\$ 13,152,478</u>	<u>\$13,461,564</u>	<u>\$ 13,263,265</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 32,907</u>	<u>\$ (398,007)</u>	<u>\$ (227,289)</u>
<u>OTHER FINANCING SOURCES (USES)</u>			
Loan Proceeds	\$ 0	\$ 0	\$ 63,608
Transfers In	6,998	6,998	6,998
Total Other Financing Sources (Uses)	<u>\$ 6,998</u>	<u>\$ 6,998</u>	<u>\$ 70,606</u>
Net Change in Fund Balance	\$ 39,905	\$ (391,009)	\$ (156,683)
<u>FUND BALANCE - Beginning of Year</u>	<u>1,092,291</u>	<u>1,092,291</u>	<u>1,092,291</u>
<u>FUND BALANCE - End of Year</u>	<u>\$ 1,132,196</u>	<u>\$ 701,282</u>	<u>\$ 935,608</u>

MORLEY STANWOOD COMMUNITY SCHOOLS
MORLEY, MICHIGAN

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUND TYPES

JUNE 30, 2007

	SPECIAL REVENUE FUNDS	DEBT RETIREMENT FUNDS	TOTAL NONMAJOR GOVERNMENTAL FUNDS
<u>ASSETS</u>			
Cash	\$ 204,030	\$ 322,908	\$ 526,938
Taxes Receivable	0	4,547	4,547
Due from Other Funds	1,394	60	1,454
Inventory	5,882	0	5,882
TOTAL ASSETS	<u>\$ 211,306</u>	<u>\$ 327,515</u>	<u>\$ 538,821</u>
<u>LIABILITIES AND FUND BALANCES</u>			
<u>LIABILITIES</u>			
Accounts Payable	\$ 2,728	\$ 0	\$ 2,728
Due to Other Funds	0	4,421	4,421
Deferred Revenue	0	2,647	2,647
	<u>\$ 2,728</u>	<u>\$ 7,068</u>	<u>\$ 9,796</u>
<u>FUND BALANCE</u>			
Reserved	\$ 5,882	\$ 320,447	\$ 326,329
Unreserved			
Designated	54,462	0	54,462
Undesignated	148,234	0	148,234
Total Fund Balances	<u>\$ 208,578</u>	<u>\$ 320,447</u>	<u>\$ 529,025</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 211,306</u>	<u>\$ 327,515</u>	<u>\$ 538,821</u>

MORLEY STANWOOD COMMUNITY SCHOOLS
MORLEY, MICHIGAN

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUND TYPES

YEAR ENDED JUNE 30, 2007

	SPECIAL REVENUE FUNDS	DEBT RETIREMENT FUNDS	TOTAL NONMAJOR GOVERNMENTAL FUNDS
<u>REVENUES</u>			
Local Sources	\$ 428,486	\$ 1,654,216	\$ 2,082,702
State Sources	40,749	0	40,749
Federal Sources	342,971	0	342,971
Total Revenues	<u>\$ 812,206</u>	<u>\$ 1,654,216</u>	<u>\$ 2,466,422</u>
<u>EXPENDITURES</u>			
Food Service Activities	\$ 610,638	\$ 0	\$ 610,638
Athletic Activities	118,567	0	118,567
School Operated Public Library	68,299	0	68,299
Debt Service			
Principal	0	1,083,941	1,083,941
Interest and Other	0	581,511	581,511
Total Expenditures	<u>\$ 797,504</u>	<u>\$ 1,665,452</u>	<u>\$ 2,462,956</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 14,702</u>	<u>\$ (11,236)</u>	<u>\$ 3,466</u>
<u>OTHER FINANCING SOURCES (USES)</u>			
Transfers In	\$ 0	\$ 0	\$ 0
Transfers Out	(6,998)	0	(6,998)
Total Other Financing Sources (Uses)	<u>\$ (6,998)</u>	<u>\$ 0</u>	<u>\$ (6,998)</u>
Net Change in Fund Balance	\$ 7,704	\$ (11,236)	\$ (3,532)
FUND BALANCE - Beginning of Year	<u>200,874</u>	<u>331,683</u>	<u>532,557</u>
FUND BALANCE - End of Year	<u><u>\$ 208,578</u></u>	<u><u>\$ 320,447</u></u>	<u><u>\$ 529,025</u></u>

MORLEY STANWOOD COMMUNITY SCHOOLS
MORLEY, MICHIGAN

GENERAL FUND

COMPARATIVE BALANCE SHEET
JUNE 30,

	2007	2006
<u>ASSETS</u>		
Cash	\$ 2,101,483	\$ 259,772
Taxes Receivable	7,724	5,905
Accounts Receivable	477	32,917
Due from Other Funds	4,361	69,062
Due from Other Governmental Units	1,871,592	1,997,970
Prepaid Expenditures	56,812	0
Investments	27,271	25,937
TOTAL ASSETS	<u>\$ 4,069,720</u>	<u>\$ 2,391,563</u>
<u>LIABILITIES AND FUND BALANCE</u>		
<u>LIABILITIES</u>		
Accounts Payable	\$ 254,632	\$ 133,304
Due to Other Funds	1,394	4,043
Salaries and Fringes Payable	910,022	907,642
State Aid Anticipation Note Payable	1,924,000	250,000
Deferred Revenue	44,064	4,283
Total Liabilities	<u>\$ 3,134,112</u>	<u>\$ 1,299,272</u>
<u>FUND BALANCE</u>		
Reserved for Prepaid Expenditures	\$ 56,812	\$ 0
Unreserved		
Designated for Capital Outlay	100,000	100,000
Undesignated	778,796	992,291
Total Fund Balance	<u>\$ 935,608</u>	<u>\$ 1,092,291</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 4,069,720</u>	<u>\$ 2,391,563</u>

MORLEY STANWOOD COMMUNITY SCHOOLS
MORLEY, MICHIGAN

GENERAL FUND

COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

YEAR ENDED JUNE 30,

	<u>2007</u>	<u>2006</u>
<u>REVENUES</u>		
Local Sources	\$ 1,726,712	\$ 1,458,561
State Sources	10,490,849	10,534,041
Federal Sources	747,720	816,472
Other Transactions	<u>70,695</u>	<u>27,682</u>
Total Revenues	<u>\$ 13,035,976</u>	<u>\$ 12,836,756</u>
<u>EXPENDITURES</u>		
Instruction		
Basic Programs		
Elementary	\$ 2,372,525	\$ 2,539,959
Middle/Junior High	1,978,769	2,046,284
High School	1,984,877	1,967,677
Other Basic Programs	0	17,833
Added Needs		
Special Education	1,171,188	1,085,748
Compensatory Education	681,671	696,475
Adult/Continuing Education		
Alternative Education	200,118	187,515
Supporting Services		
Pupil		
Guidance Services	95,408	89,114
Social Work Services	135,066	135,850
Teacher Consultant	35,233	37,491
Instructional Staff		
Improvement of Instruction	223,911	216,124
Educational Media Services	161,738	142,148
Supervision and Direction	71,514	81,181
General Administration		
Board of Education	56,339	63,660
Executive Administration	314,273	380,880
School Administration		
Office of the Principal	848,385	1,033,702

MORLEY STANWOOD COMMUNITY SCHOOLS
MORLEY, MICHIGAN

GENERAL FUND

COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

YEAR ENDED JUNE 30,

	<u>2007</u>	<u>2006</u>
Business		
Fiscal Services	92,242	31,593
Operation and Maintenance of Plant		
Operating Building Services	1,541,395	1,603,389
Security Services	15,144	4,732
Pupil Transportation Services	836,095	936,944
Support Services		
Support Services Technology	156,047	149,815
Community Services		
Community Activities	3,621	3,886
Other Transactions		
Transfers to Other School Districts	273,623	176,844
Debt Service	<u>14,083</u>	<u>0</u>
Total Expenditures	<u>\$ 13,263,265</u>	<u>\$ 13,628,844</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (227,289)</u>	<u>\$ (792,088)</u>
<u>OTHER FINANCING SOURCES (USES)</u>		
Transfers In (Out)		
Public Library Fund	\$ 6,998	\$ 10,835
Loan Proceeds	<u>63,608</u>	<u>0</u>
Total Other Financing Sources (Uses)	<u>\$ 70,606</u>	<u>\$ 10,835</u>
Net Change in Fund Balance	\$ (156,683)	\$ (781,253)
<u>FUND BALANCE</u> - Beginning of Year	<u>1,092,291</u>	<u>1,873,544</u>
<u>FUND BALANCE</u> - End of Year	<u><u>\$ 935,608</u></u>	<u><u>\$ 1,092,291</u></u>

MORLEY STANWOOD COMMUNITY SCHOOLS

MORLEY, MICHIGAN

GENERAL FUND

COMPARATIVE ANALYSIS OF REVENUES

YEAR ENDED JUNE 30,

	<u>2007</u>	<u>2006</u>
<u>LOCAL SOURCES</u>		
Property Tax Levy	\$ 1,482,917	\$ 1,293,978
Other Taxes	8,131	3,654
Earnings on Investments	73,846	33,169
Other Local Revenues		
Medicaid Fees	43,149	52,543
Rental Income	3,150	10,678
Miscellaneous	115,519	64,539
Total Local Sources	<u>\$ 1,726,712</u>	<u>\$ 1,458,561</u>
<u>STATE SOURCES</u>		
Grants-In-Aid		
Received through the State		
State School Aid	\$ 10,490,849	\$ 10,530,619
Received through Other Districts	0	3,422
Total State Sources	<u>\$ 10,490,849</u>	<u>\$ 10,534,041</u>
<u>FEDERAL SOURCES</u>		
Grant-In-Aid Restricted		
Received through the State		
Title I	\$ 455,163	\$ 506,206
Title II Part D	5,855	9,142
Handicapped Preschool Program	0	4,130
Comprehensive School Reform	135,519	131,117
Title II Part A Teacher Training	86,474	127,017
Drug Free Schools	10,746	10,406
Homeland Security Grant	0	651
Title V	1,252	6,812
Title VI	48,827	0
Received through Intermediate School District		
Medicaid Outreach	3,384	2,455
Homeless Child	0	2,407
IDEA	500	16,129
Total Federal Sources	<u>\$ 747,720</u>	<u>\$ 816,472</u>
<u>OTHER TRANSACTIONS</u>		
Transfers from Other Governmental Units	\$ 68,443	\$ 22,204
Sale of Fixed Assets	2,252	5,478
Total Other Transactions	<u>\$ 70,695</u>	<u>\$ 27,682</u>
 Total Revenues	 <u>\$ 13,035,976</u>	 <u>\$ 12,836,756</u>

MORLEY STANWOOD COMMUNITY SCHOOLS
MORLEY, MICHIGAN

GENERAL FUND
COMPARATIVE ANALYSIS OF EXPENDITURES

YEAR ENDED JUNE 30,

<u>INSTRUCTION</u>	<u>2007</u>	<u>2006</u>
<u>Basic Programs</u>		
<u>Elementary</u>		
Salaries	\$ 1,448,035	\$ 1,555,542
Employee Benefits	800,972	803,279
Purchased Services	57,578	79,877
Supplies and Materials	64,279	99,376
Dues, Fees and Miscellaneous	1,268	1,308
Capital Outlay	393	577
Total Elementary	<u>\$ 2,372,525</u>	<u>\$ 2,539,959</u>
 <u>Middle School/Junior High</u>		
Salaries	\$ 1,217,698	\$ 1,253,341
Employee Benefits	677,678	686,438
Purchased Services	40,590	26,535
Supplies and Materials	35,489	75,695
Dues, Fees and Miscellaneous	725	1,026
Capital Outlay	6,589	3,249
Total Middle School/Junior High	<u>\$ 1,978,769</u>	<u>\$ 2,046,284</u>
 <u>High School</u>		
Salaries	\$ 1,187,909	\$ 1,187,250
Employee Benefits	617,280	591,196
Purchased Services	112,220	95,533
Supplies and Materials	67,329	86,203
Dues, Fees and Miscellaneous	139	1,626
Capital Outlay	0	5,869
Total High School	<u>\$ 1,984,877</u>	<u>\$ 1,967,677</u>
 <u>Other Basic Programs</u>		
Driver Education		
Salaries	\$ 0	\$ 14,555
Employee Benefits	0	3,278
Total Other Basic Programs	<u>\$ 0</u>	<u>\$ 17,833</u>

MORLEY STANWOOD COMMUNITY SCHOOLS
MORLEY, MICHIGAN

GENERAL FUND
COMPARATIVE ANALYSIS OF EXPENDITURES

YEAR ENDED JUNE 30,

	<u>2007</u>	<u>2006</u>
<u>Added Needs</u>		
<u>Special Education</u>		
Salaries	\$ 700,799	\$ 674,116
Employee Benefits	372,135	348,340
Purchased Services	63,738	32,208
Supplies and Materials	34,268	23,704
Dues, Fees and Miscellaneous	248	1,030
Capital Outlay	0	6,350
Total Special Education	<u>\$ 1,171,188</u>	<u>\$ 1,085,748</u>
<u>Compensatory Education</u>		
Salaries	\$ 408,531	\$ 429,684
Employee Benefits	240,843	254,284
Purchased Services	26,595	9,247
Supplies and Materials	5,702	3,260
Total Compensatory Education	<u>\$ 681,671</u>	<u>\$ 696,475</u>
<u>Adult/Continuing Education</u>		
<u>Alternative Education</u>		
Salaries	\$ 112,883	\$ 100,250
Employee Benefits	71,297	63,922
Purchased Services	3,389	5,934
Supplies and Materials	11,519	11,409
Capital Outlay	1,030	6,000
Total Alternative Education	<u>\$ 200,118</u>	<u>\$ 187,515</u>
<u>SUPPORTING SERVICES</u>		
<u>Pupil Services</u>		
<u>Guidance Services</u>		
Salaries of Counselors	\$ 64,081	\$ 59,964
Employee Benefits	31,133	28,887
Purchased Services	194	228
Supplies and Materials	0	35
Total Guidance Services	<u>\$ 95,408</u>	<u>\$ 89,114</u>

MORLEY STANWOOD COMMUNITY SCHOOLS
MORLEY, MICHIGAN

GENERAL FUND
COMPARATIVE ANALYSIS OF EXPENDITURES

YEAR ENDED JUNE 30,

	<u>2007</u>	<u>2006</u>
<u>Social Work Services</u>		
Salaries	\$ 96,797	\$ 90,989
Employee Benefits	37,869	44,591
Purchased Services	400	270
Total Social Work Services	<u>\$ 135,066</u>	<u>\$ 135,850</u>
 <u>Teacher Consultant</u>		
Salaries	\$ 25,651	\$ 24,898
Employee Benefits	9,582	12,537
Purchased Services	0	56
Total Teacher Consultant	<u>\$ 35,233</u>	<u>\$ 37,491</u>
 <u>Instructional Staff</u>		
<u>Improvement of Instruction</u>		
Salaries	\$ 27,315	\$ 9,455
Employee Benefits	9,362	2,083
Purchased Services	164,931	186,256
Supplies and Materials	21,999	17,747
Dues, Fees and Miscellaneous	304	583
Total Improvement of Instruction	<u>\$ 223,911</u>	<u>\$ 216,124</u>
 <u>Educational Media Services</u>		
Salaries	\$ 85,159	\$ 79,929
Employee Benefits	48,909	44,393
Purchased Services	27,180	10,146
Supplies and Materials	0	7,119
Capital Outlay	490	561
Total Educational Media Services	<u>\$ 161,738</u>	<u>\$ 142,148</u>
 <u>Supervision and Direction of Instructional Staff</u>		
Salaries	\$ 37,051	\$ 37,492
Employee Benefits	12,421	16,383
Purchased Services	22,042	27,226
Dues, Fees and Miscellaneous	0	80
Total Supervision and Direction of Instructional Staff	<u>\$ 71,514</u>	<u>\$ 81,181</u>

MORLEY STANWOOD COMMUNITY SCHOOLS
MORLEY, MICHIGAN

GENERAL FUND
COMPARATIVE ANALYSIS OF EXPENDITURES

YEAR ENDED JUNE 30,

	<u>2007</u>	<u>2006</u>
<u>General Administrative Services</u>		
<u>Board of Education</u>		
Board of Education Fees	\$ 2,710	\$ 2,935
Election Board Fees	0	3,457
Purchased Services	41,275	33,077
Unemployment Compensation	3,198	13,899
Supplies and Materials	1,481	0
Dues, Fees and Miscellaneous	7,675	10,292
Total Board of Education	<u>\$ 56,339</u>	<u>\$ 63,660</u>
<u>Executive Administration</u>		
Salaries	\$ 188,747	\$ 231,597
Employee Benefits	89,352	122,927
Purchased Services	25,809	8,899
Supplies and Materials	7,596	12,247
Dues, Fees and Miscellaneous	2,769	2,010
Capital Outlay	0	3,200
Total Executive Administration	<u>\$ 314,273</u>	<u>\$ 380,880</u>
<u>School Administrative Services</u>		
<u>Office of the Principal</u>		
Salaries	\$ 554,583	\$ 679,711
Employee Benefits	272,948	333,955
Purchased Services	4,220	8,170
Materials and Supplies	15,389	9,467
Dues, Fees and Miscellaneous	1,245	2,399
Total Office of the Principal	<u>\$ 848,385</u>	<u>\$ 1,033,702</u>
<u>Business Services</u>		
<u>Fiscal Services</u>		
Taxes Abated and Written Off	\$ 16,057	\$ 798
Interest Expense	62,000	15,187
Insurance	11,437	12,159
Legal and Professional	2,708	2,622
Miscellaneous	40	827
Total Fiscal Services	<u>\$ 92,242</u>	<u>\$ 31,593</u>

MORLEY STANWOOD COMMUNITY SCHOOLS
MORLEY, MICHIGAN

GENERAL FUND
COMPARATIVE ANALYSIS OF EXPENDITURES

YEAR ENDED JUNE 30,

	<u>2007</u>	<u>2006</u>
<u>Operation and Maintenance of Plant</u>		
<u>Operating Building Services</u>		
Salaries of Custodians	\$ 419,248	\$ 456,342
Employee Benefits	278,376	287,271
Purchased Services	312,679	201,224
Materials and Supplies	527,150	579,825
Dues, Fees and Miscellaneous	60	257
Capital Outlay	3,882	78,470
Total Operating Building Services	<u>\$ 1,541,395</u>	<u>\$ 1,603,389</u>
<u>Security Services</u>		
Purchased Services	\$ 3,000	\$ 4,732
Capital Outlay	12,144	0
Total Security Services	<u>\$ 15,144</u>	<u>\$ 4,732</u>
<u>Pupil Transportation Services</u>		
Salaries	\$ 362,173	\$ 396,244
Employee Benefits	249,382	244,966
Purchased Services	41,263	42,722
Supplies and Materials	114,104	118,989
Dues, Fees and Miscellaneous	5,360	4,269
Capital Outlay	63,813	129,754
Total Pupil Transportation Services	<u>\$ 836,095</u>	<u>\$ 936,944</u>
<u>Support Services - Technology</u>		
Salaries	\$ 49,926	\$ 49,275
Employee Benefits	26,674	27,352
Purchased Services	42,611	48,970
Supplies and Materials	5,968	0
Capital Outlay	30,868	24,218
Total Support Services - Technology	<u>\$ 156,047</u>	<u>\$ 149,815</u>
<u>Community Activities</u>		
Supplies and Materials	<u>\$ 3,621</u>	<u>\$ 3,886</u>

MORLEY STANWOOD COMMUNITY SCHOOLS
MORLEY, MICHIGAN

GENERAL FUND
COMPARATIVE ANALYSIS OF EXPENDITURES

YEAR ENDED JUNE 30,

	<u>2007</u>	<u>2006</u>
<u>Other Transactions</u>		
Transfer to Other Governments		
School Readiness	\$ 231,000	\$ 118,800
Tuition	34,383	49,844
Other	8,240	8,200
Total Other Transactions	<u>\$ 273,623</u>	<u>\$ 176,844</u>
 <u>Debt Service</u>		
Principal Retirement	<u>\$ 14,083</u>	<u>\$ 0</u>
 Total Expenditures	<u><u>\$ 13,263,265</u></u>	<u><u>\$ 13,628,844</u></u>

MORLEY STANWOOD COMMUNITY SCHOOLS
MORLEY, MICHIGAN

SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET

JUNE 30, 2007

WITH COMPARATIVE TOTALS FOR YEAR ENDED JUNE 30, 2006

	FOOD SERVICE	ATHLETIC FUND	PUBLIC LIBRARY	TOTALS	
				2007	2006
<u>ASSETS</u>					
Cash	\$ 34,099	\$ 21,697	\$ 148,234	\$ 204,030	\$ 190,693
Due from Other Governments	0	0	0	0	3,848
Due from Other Funds	1,394	0	0	1,394	4,043
Inventory					
Supplies	1,700	0	0	1,700	1,537
Food	4,182	0	0	4,182	3,346
TOTAL ASSETS	<u>\$ 41,375</u>	<u>\$ 21,697</u>	<u>\$ 148,234</u>	<u>\$ 211,306</u>	<u>\$ 203,467</u>
<u>LIABILITIES</u>					
Accounts Payable	\$ 2,728	\$ 0	\$ 0	\$ 2,728	\$ 2,593
<u>FUND BALANCE</u>					
Reserved for Inventory	\$ 5,882	\$ 0	\$ 0	\$ 5,882	\$ 4,883
Unreserved					
Designated for:					
Food Service	32,765	0	0	32,765	49,303
Athletic	0	21,697	0	21,697	9,593
Undesignated	0	0	148,234	148,234	137,095
Total Fund Balance	<u>\$ 38,647</u>	<u>\$ 21,697</u>	<u>\$ 148,234</u>	<u>\$ 208,578</u>	<u>\$ 200,874</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 41,375</u>	<u>\$ 21,697</u>	<u>\$ 148,234</u>	<u>\$ 211,306</u>	<u>\$ 203,467</u>

MORLEY STANWOOD COMMUNITY SCHOOLS

MORLEY, MICHIGAN

SPECIAL REVENUE FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

YEAR ENDED JUNE 30, 2007

WITH COMPARATIVE TOTALS FOR YEAR ENDED JUNE 30, 2006

	FOOD SERVICE	ATHLETIC FUND	PUBLIC LIBRARY	TOTALS	
				2007	2006
<u>REVENUES</u>					
Local Sources	\$ 218,084	\$ 130,671	\$ 79,731	\$ 428,486	\$ 376,609
State Sources	34,044	0	6,705	40,749	41,419
Federal Sources	342,971	0	0	342,971	343,638
Total Revenues	<u>\$ 595,099</u>	<u>\$ 130,671</u>	<u>\$ 86,436</u>	<u>\$ 812,206</u>	<u>\$ 761,666</u>
<u>EXPENDITURES</u>					
Salaries	\$ 204,771	\$ 0	\$ 40,100	\$ 244,871	\$ 240,232
Employee Benefits	102,967	0	12,263	115,230	107,320
Purchased Services	12,626	33,641	1,537	47,804	65,810
Supplies and Materials	278,312	32,748	8,751	319,811	331,730
Other Expenditures	7,185	23,678	3,612	34,475	14,912
Capital Outlay	4,777	28,500	2,036	35,313	29,878
Total Expenditures	<u>\$ 610,638</u>	<u>\$ 118,567</u>	<u>\$ 68,299</u>	<u>\$ 797,504</u>	<u>\$ 789,882</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (15,539)</u>	<u>\$ 12,104</u>	<u>\$ 18,137</u>	<u>\$ 14,702</u>	<u>\$ (28,216)</u>
<u>OTHER FINANCING SOURCES (USES)</u>					
Transfers In	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Transfers Out	0	0	(6,998)	(6,998)	(10,835)
Total	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (6,998)</u>	<u>\$ (6,998)</u>	<u>\$ (10,835)</u>
Net Change in Fund Balance	<u>\$ (15,539)</u>	<u>\$ 12,104</u>	<u>\$ 11,139</u>	<u>\$ 7,704</u>	<u>\$ (39,051)</u>
<u>FUND BALANCE</u> - Beginning of Year	<u>54,186</u>	<u>9,593</u>	<u>137,095</u>	<u>200,874</u>	<u>239,925</u>
<u>FUND BALANCE</u> - End of Year	<u>\$ 38,647</u>	<u>\$ 21,697</u>	<u>\$ 148,234</u>	<u>\$ 208,578</u>	<u>\$ 200,874</u>

MORLEY STANWOOD COMMUNITY SCHOOLS
MORLEY, MICHIGAN

FOOD SERVICE FUND

COMPARATIVE BALANCE SHEET
JUNE 30,

	<u>2007</u>	<u>2006</u>
<u>ASSETS</u>		
Cash	\$ 34,099	\$ 44,019
Due from Other Governments	0	3,848
Due from Other Funds	1,394	4,029
Inventory		
Supplies	1,700	1,537
Food	4,182	3,346
TOTAL ASSETS	<u>\$ 41,375</u>	<u>\$ 56,779</u>
<u>LIABILITIES AND FUND BALANCE</u>		
<u>LIABILITIES</u>		
Accounts Payable	<u>\$ 2,728</u>	<u>\$ 2,593</u>
<u>FUND BALANCE</u>		
Reserved for Inventory - Food and Supplies	\$ 5,882	\$ 4,883
Unreserved - Designated for Food Service	32,765	49,303
Total Fund Balance	<u>\$ 38,647</u>	<u>\$ 54,186</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 41,375</u>	<u>\$ 56,779</u>

MORLEY STANWOOD COMMUNITY SCHOOLS
MORLEY, MICHIGAN

FOOD SERVICE FUND

COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

YEAR ENDED JUNE 30,

	<u>2007</u>	<u>2006</u>
<u>REVENUES</u>		
Local Sources		
Earnings on Investments and Deposits	\$ 1,400	\$ 601
Children's Lunches	106,406	112,188
Adult Lunches	10,786	12,545
Breakfast	9,879	11,062
Preschool Lunches	5,283	5,201
Snack Bar	73,732	67,599
Miscellaneous	10,598	18,907
Total Local Sources	<u>\$ 218,084</u>	<u>\$ 228,103</u>
State Sources		
State Aid - Regular	<u>\$ 34,044</u>	<u>\$ 34,400</u>
Federal Sources		
Federal Aid - Regular	\$ 320,796	\$ 316,615
Federal Aid - U.S.D.A. Commodities	22,175	27,023
Total Federal Sources	<u>\$ 342,971</u>	<u>\$ 343,638</u>
Total Revenues	<u>\$ 595,099</u>	<u>\$ 606,141</u>
<u>EXPENDITURES</u>		
Salaries	\$ 204,771	\$ 200,604
Employee Benefits	102,967	95,591
Purchased Services	12,626	14,616
Supplies and Materials	278,312	282,596
Other Expenditures	7,185	11,069
Capital Outlay	4,777	29,785
Total Expenditures	<u>\$ 610,638</u>	<u>\$ 634,261</u>
Excess (Deficiency) of Revenues Over Expenditures	\$ (15,539)	\$ (28,120)
<u>FUND BALANCE</u> - Beginning of Year	<u>54,186</u>	<u>82,306</u>
<u>FUND BALANCE</u> - End of Year	<u>\$ 38,647</u>	<u>\$ 54,186</u>

MORLEY STANWOOD COMMUNITY SCHOOLS
MORLEY, MICHIGAN

ATHLETIC FUND

COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

YEAR ENDED JUNE 30,

	<u>2007</u>	<u>2006</u>
<u>REVENUES</u>		
Local Sources		
Earnings on Investments	\$ 598	\$ 84
Donations	31,430	5,380
Gate Receipts, Admissions and Camp Fees	98,643	75,461
Miscellaneous	<u>0</u>	<u>1,000</u>
 Total Revenues	 <u>\$ 130,671</u>	 <u>\$ 81,925</u>
 <u>EXPENDITURES</u>		
Purchased Services	\$ 33,641	\$ 40,061
Supplies and Materials	32,748	18,635
Dues and Fees	19,889	9,229
Other Expenditures	3,789	12,310
Capital Outlay	<u>28,500</u>	<u>0</u>
 Total Expenditures	 <u>\$ 118,567</u>	 <u>\$ 80,235</u>
 Excess (Deficiency) of Revenues Over Expenditures	 \$ 12,104	 \$ 1,690
 <u>FUND BALANCE</u> - Beginning of Year	 <u>9,593</u>	 <u>7,903</u>
 <u>FUND BALANCE</u> - End of Year	 <u>\$ 21,697</u>	 <u>\$ 9,593</u>

MORLEY STANWOOD COMMUNITY SCHOOLS
MORLEY, MICHIGAN

PUBLIC LIBRARY FUND

COMPARATIVE BALANCE SHEET

JUNE 30,

	<u>2007</u>	<u>2006</u>
<u>ASSETS</u>		
Cash	\$ 148,234	\$ 137,081
Due from Other Funds	0	14
TOTAL ASSETS	<u>\$ 148,234</u>	<u>\$ 137,095</u>
<u>LIABILITIES AND FUND BALANCE</u>		
<u>LIABILITIES</u>	\$ 0	\$ 0
<u>FUND BALANCE</u>		
Unreserved		
Undesignated	<u>148,234</u>	<u>137,095</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 148,234</u>	<u>\$ 137,095</u>

MORLEY STANWOOD COMMUNITY SCHOOLS
MORLEY, MICHIGAN

PUBLIC LIBRARY FUND
COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE

YEAR ENDED JUNE 30,

	<u>2007</u>	<u>2006</u>
<u>REVENUES</u>		
Local Sources		
Earnings on Investments and Deposits	\$ 9,771	\$ 7,054
Penal Fines	60,855	53,353
Township Aid	4,400	4,300
Miscellaneous	4,705	1,874
Total Local Sources	<u>\$ 79,731</u>	<u>\$ 66,581</u>
State Sources		
State Aid	<u>6,705</u>	<u>7,019</u>
Total Revenues	<u>\$ 86,436</u>	<u>\$ 73,600</u>
<u>EXPENDITURES</u>		
Salaries	\$ 40,100	\$ 39,628
Employee Benefits	12,263	11,729
Purchased Services	1,537	1,904
Supplies and Materials	8,751	18,189
Dues and Fees	3,409	3,843
Miscellaneous	203	0
Capital Outlay	<u>2,036</u>	<u>93</u>
Total Expenditures	<u>\$ 68,299</u>	<u>\$ 75,386</u>
Excess (Deficiency) of Revenues Over Expenditures	\$ 18,137	\$ (1,786)
<u>OTHER FINANCING SOURCES (USES)</u>		
Transfers Out		
General Fund	<u>(6,998)</u>	<u>(10,835)</u>
Net Change in Fund Balance	\$ 11,139	\$ (12,621)
<u>FUND BALANCE</u> - Beginning of Year	<u>137,095</u>	<u>149,716</u>
<u>FUND BALANCE</u> - End of Year	<u>\$ 148,234</u>	<u>\$ 137,095</u>

MORLEY STANWOOD COMMUNITY SCHOOLS
MORLEY, MICHIGAN

DEBT RETIREMENT FUNDS
COMBINING BALANCE SHEET

JUNE 30, 2007

WITH COMPARATIVE TOTALS FOR YEAR ENDED JUNE 30, 2006

	1995 DEBT	DURANT RESOLUTION DEBT	1999 REFUNDING DEBT	2003 REFUNDING DEBT	TOTALS	
					2007	2006
<u>ASSETS</u>						
Cash	\$ 60	\$ 0	\$ 229,323	\$ 93,525	\$ 322,908	\$ 390,298
Taxes Receivable	0	0	3,007	1,540	4,547	11,829
Due from 1995 Debt Retirement Fund	0	0	60	0	60	8,411
Total Assets	\$ 60	\$ 0	\$ 232,390	\$ 95,065	\$ 327,515	\$ 410,538
<u>LIABILITIES AND FUND BALANCE</u>						
<u>LIABILITIES</u>						
Due to 1995 Debt Fund	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 2,119
Due to General Fund	0	0	1,657	2,704	4,361	69,062
Due to 1999 Debt Fund	60	0	0	0	60	6,292
Deferred Revenue	0	0	2,285	362	2,647	1,382
Total Liabilities	\$ 60	\$ 0	\$ 3,942	\$ 3,066	\$ 7,068	\$ 78,855
<u>FUND BALANCE</u>						
Reserved for Debt Retirement	0	0	228,448	91,999	320,447	331,683
TOTAL LIABILITIES AND FUND BALANCE	\$ 60	\$ 0	\$ 232,390	\$ 95,065	\$ 327,515	\$ 410,538

MORLEY STANWOOD COMMUNITY SCHOOLS
MORLEY, MICHIGAN

DEBT RETIREMENT FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

YEAR ENDED JUNE 30, 2007

WITH COMPARATIVE TOTALS FOR YEAR ENDED JUNE 30, 2006

	1995 DEBT	DURANT RESOLUTION DEBT	1999 REFUNDING DEBT	2003 REFUNDING DEBT	TOTALS	
					2007	2006
<u>REVENUES</u>						
Local Sources	\$ 166	\$ 0	\$ 627,230	\$ 1,026,820	\$ 1,654,216	\$ 1,491,595
State Sources	0	0	0	0	0	10,467
Total Revenues	\$ 166	\$ 0	\$ 627,230	\$ 1,026,820	\$ 1,654,216	\$ 1,502,062
<u>EXPENDITURES</u>						
Principal Payments	\$ 0	\$ 0	\$ 213,247	\$ 870,694	\$ 1,083,941	\$ 764,207
Interest Payments	0	0	442,986	132,199	575,185	976,010
Taxes Abated and Written Off	0	0	2,847	2,779	5,626	749
Miscellaneous	0	0	300	400	700	1,800
Total Expenditures	\$ 0	\$ 0	\$ 659,380	\$ 1,006,072	\$ 1,665,452	\$ 1,742,766
Excess (Deficiency) of Revenues Over Expenditures	\$ 166	\$ 0	\$ (32,150)	\$ 20,748	\$ (11,236)	\$ (240,704)
<u>OTHER FINANCING SOURCES (USES)</u>						
Transfers In(Out)	(52,340)	0	52,340	0	0	0
Net Change in Fund Balance	\$ (52,174)	\$ 0	\$ 20,190	\$ 20,748	\$ (11,236)	\$ (240,704)
<u>FUND BALANCE</u> - Beginning of Year	52,174	0	208,258	71,251	331,683	572,387
<u>FUND BALANCE</u> - End of Year	\$ 0	\$ 0	\$ 228,448	\$ 91,999	\$ 320,447	\$ 331,683

MORLEY STANWOOD COMMUNITY SCHOOLS
MORLEY, MICHIGAN

1995 DEBT RETIREMENT FUND
COMPARATIVE BALANCE SHEET

JUNE 30,

	2007	2006
<u>ASSETS</u>		
Cash	\$ 60	\$ 86,759
Due from 2003 Refunding Debt Retirement Fund	0	2,119
Taxes Receivable	0	6,053
TOTAL ASSETS	\$ 60	\$ 94,931
<u>LIABILITIES AND FUND BALANCE</u>		
<u>LIABILITIES</u>		
Deferred Revenue	\$ 0	\$ 662
Due to 1999 School Refunding Debt Retirement Fund	60	0
Due to General Fund	0	42,095
Total Liabilities	\$ 60	\$ 42,757
<u>FUND BALANCE</u>		
Reserved for Debt Retirement	0	52,174
TOTAL LIABILITIES AND FUND BALANCE	\$ 60	\$ 94,931

MORLEY STANWOOD COMMUNITY SCHOOLS
MORLEY, MICHIGAN

1995 DEBT RETIREMENT FUND
COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE

YEAR ENDED JUNE 30,

	<u>2007</u>	<u>2006</u>
<u>REVENUES</u>		
Local Sources		
Property Tax Levy	\$ 0	\$ 680,958
Industrial Facilities Tax	0	73,367
Penalties and Interest on Delinquent Tax	0	49
Earnings on Investments	166	3,216
Total Revenues	<u>\$ 166</u>	<u>\$ 757,590</u>
<u>EXPENDITURES</u>		
Principal Payments	\$ 0	\$ 600,000
Principal Payments-School Bond Loan Fund	0	11,725
Interest Payments	0	125,775
Taxes Abated and Written Off	0	198
Miscellaneous	0	700
Total Expenditures	<u>\$ 0</u>	<u>\$ 738,398</u>
Excess (Deficiency) of Revenues Over Expenditures	\$ 166	\$ 19,192
<u>OTHER FINANCING SOURCES (USES)</u>		
Transfers Out		
1999 School Refunding Bond Debt Retirement Fund	<u>(52,340)</u>	<u>0</u>
Net Change in Fund Balance	\$ (52,174)	\$ 19,192
<u>FUND BALANCE - Beginning of Year</u>	<u>52,174</u>	<u>32,982</u>
<u>FUND BALANCE - End of Year</u>	<u><u>\$ 0</u></u>	<u><u>\$ 52,174</u></u>

MORLEY STANWOOD COMMUNITY SCHOOLS
MORLEY, MICHIGAN

DURANT RESOLUTION DEBT RETIREMENT FUND
COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE

YEAR ENDED JUNE 30,

	<u>2007</u>	<u>2006</u>
<u>REVENUES</u>		
State Sources		
State Aid - Restricted	\$ 0	\$ 10,467
<u>EXPENDITURES</u>		
Principal Payments	\$ 0	\$ 584
Interest Payments	0	9,883
Total Expenditures	\$ 0	\$ 10,467
Excess (Deficiency) of Revenues Over Expenditures	\$ 0	\$ 0
<u>FUND BALANCE</u> - Beginning of Year	0	0
<u>FUND BALANCE</u> - End of Year	\$ 0	\$ 0

MORLEY STANWOOD COMMUNITY SCHOOLS
MORLEY, MICHIGAN

1999 SCHOOL REFUNDING BOND DEBT RETIREMENT FUND
COMPARATIVE BALANCE SHEET

JUNE 30,

	<u>2007</u>	<u>2006</u>
<u>ASSETS</u>		
Cash	\$ 229,323	\$ 217,707
Taxes Receivable	3,007	4,308
Due from 1995 Debt Retirement Fund	60	0
Due from 2003 Refunding Debt Retirement Fund	0	6,292
TOTAL ASSETS	<u>\$ 232,390</u>	<u>\$ 228,307</u>
<u>LIABILITIES AND FUND BALANCE</u>		
<u>LIABILITIES</u>		
Deferred Revenue	\$ 2,285	\$ 434
Due to General Fund	1,657	19,615
Total Liabilities	\$ 3,942	\$ 20,049
<u>FUND BALANCE</u>		
Reserved for Debt Retirement	228,448	208,258
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 232,390</u>	<u>\$ 228,307</u>

MORLEY STANWOOD COMMUNITY SCHOOLS
MORLEY, MICHIGAN

1999 SCHOOL REFUNDING BOND DEBT RETIREMENT FUND
COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE

YEAR ENDED JUNE 30,

	2007	2006
<u>REVENUES</u>		
Local Sources		
Property Tax Levy	\$ 566,578	\$ 498,406
Industrial Facilities Tax	56,481	53,694
Penalties and Interest on Delinquent Tax	11	35
Earnings on Investments	4,160	3,643
	<hr/>	<hr/>
Total Revenues	\$ 627,230	\$ 555,778
	<hr/>	<hr/>
<u>EXPENDITURES</u>		
Principal Payments	\$ 55,000	\$ 50,000
Principal Payments-School Bond Loan Fund	158,247	11,725
Interest Payments	442,986	493,082
Taxes Abated and Written Off	2,847	283
Miscellaneous	300	600
	<hr/>	<hr/>
Total Expenditures	\$ 659,380	\$ 555,690
	<hr/>	<hr/>
Excess (Deficiency) of Revenues Over Expenditures	\$ (32,150)	\$ 88
<u>OTHER FINANCING SOURCES (USES)</u>		
Transfers In		
1995 Debt Retirement Fund	52,340	0
	<hr/>	<hr/>
Net Change in Fund Balance	\$ 20,190	\$ 88
<u>FUND BALANCE</u> - Beginning of Year	208,258	208,170
	<hr/>	<hr/>
<u>FUND BALANCE</u> - End of Year	\$ 228,448	\$ 208,258
	<hr/>	<hr/>

MORLEY STANWOOD COMMUNITY SCHOOLS
MORLEY, MICHIGAN

2003 REFUNDING DEBT RETIREMENT FUND
COMPARATIVE BALANCE SHEET

JUNE 30,

	2007	2006
<u>ASSETS</u>		
Cash	\$ 93,525	\$ 85,832
Taxes Receivable	1,540	1,468
	<hr/>	
TOTAL ASSETS	\$ 95,065	\$ 87,300
	<hr/>	
<u>LIABILITIES AND FUND BALANCE</u>		
<u>LIABILITIES</u>		
Deferred Revenue	\$ 362	\$ 286
Due to 1995 Debt Fund	0	2,119
Due to 1999 Debt Fund	0	6,292
Due to General Fund	2,704	7,352
	<hr/>	
Total Liabilities	\$ 3,066	\$ 16,049
 <u>FUND BALANCE</u>		
Reserved for Debt Retirement	91,999	71,251
	<hr/>	
TOTAL LIABILITIES AND FUND BALANCE	\$ 95,065	\$ 87,300
	<hr/>	

MORLEY STANWOOD COMMUNITY SCHOOLS
MORLEY, MICHIGAN

2003 REFUNDING DEBT RETIREMENT FUND

COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

YEAR ENDED JUNE 30,

	<u>2007</u>	<u>2006</u>
<u>REVENUES</u>		
Local Sources		
Property Tax Levy	\$ 924,409	\$ 152,200
Industrial Facilities Tax	92,154	16,395
Penalties and Interest on Delinquent Tax	19	13
Earnings on Investments	10,238	9,619
	<hr/>	<hr/>
Total Revenues	\$ 1,026,820	\$ 178,227
	<hr/>	<hr/>
<u>EXPENDITURES</u>		
Principal Payments	\$ 670,000	\$ 55,000
Principal Payments-School Bond Loan Fund	200,694	35,173
Interest Payments	132,199	347,270
Taxes Abated and Written Off	2,779	268
Miscellaneous	400	500
	<hr/>	<hr/>
Total Expenditures	\$ 1,006,072	\$ 438,211
	<hr/>	<hr/>
Excess (Deficiency) of Revenues Over Expenditures	\$ 20,748	\$ (259,984)
	<hr/>	<hr/>
<u>FUND BALANCE</u> - Beginning of Year	71,251	331,235
	<hr/>	<hr/>
<u>FUND BALANCE</u> - End of Year	\$ 91,999	\$ 71,251
	<hr/>	<hr/>

MORLEY STANWOOD COMMUNITY SCHOOLS
MORLEY, MICHIGAN

FIDUCIARY FUND TYPES
COMBINING BALANCE SHEET

JUNE 30, 2007

WITH COMPARATIVE TOTALS FOR JUNE 30, 2006

		PRIVATE PURPOSE			
		TRUST FUND	AGENCY FUNDS		
		ERICKSON	SCHOOL	TOTALS	
		SCHOLARSHIP	ACCOUNTS	2007	2006
	<u>ASSETS</u>				
Cash		\$ 29,519	\$ 159,856	\$ 189,375	\$ 181,313
<u>LIABILITIES AND FUND BALANCE</u>					
<u>LIABILITIES</u>					
Due to Groups and Organizations		\$ 0	\$ 159,856	\$ 159,856	\$ 151,288
<u>FUND BALANCE</u>					
Reserved for Trust Activities		29,519	0	29,519	30,025
TOTAL LIABILITIES AND FUND BALANCE		\$ 29,519	\$ 159,856	\$ 189,375	\$ 181,313

ERICKSON SCHOLARSHIP PRIVATE PURPOSE TRUST FUND
COMPARATIVE BALANCE SHEET
JUNE 30,

56

MORLEY STANWOOD COMMUNITY SCHOOLS
MORLEY, MICHIGAN

ERICKSON SCHOLARSHIP PRIVATE PURPOSE TRUST FUND
COMPARATIVE STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCE
YEAR ENDED JUNE 30,

	<u>2007</u>	<u>2006</u>
<u>OPERATING REVENUES</u>		
Earnings on Investments and Deposits	\$ 934	\$ 756
<u>OPERATING EXPENSES</u>		
Scholarship Awards	<u>1,440</u>	<u>0</u>
Operating Income (Loss)	\$ (506)	\$ 756
<u>FUND BALANCE</u> - Beginning of Year	<u>30,025</u>	<u>29,269</u>
<u>FUND BALANCE</u> - End of Year	<u>\$ 29,519</u>	<u>\$ 30,025</u>

MORLEY STANWOOD COMMUNITY SCHOOLS
MORLEY, MICHIGAN

FIDUCIARY FUND TYPES
AGENCY FUND

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND BALANCE
YEAR ENDED JUNE 30, 2007

	BALANCE 7/1/2006	RECEIPTS (Including Transfers)	DISBURSEMENTS	BALANCE 6/30/2007
High School				
Art Fund	\$ 624	\$ 174	\$ 324	\$ 474
Alternative Education	2,895	6,586	7,217	2,264
Band Boosters	358	47	187	218
Bookstore	353	67	0	420
Cheerleaders	138	118	273	(17)
Chip Sales	78	30,728	30,594	212
Choir	449	400	116	733
Class of 2010	0	0	85	(85)
Class of 2009	189	629	128	690
Class of 2008	909	3,216	3,148	977
Class of 2007	2,005	1,694	3,699	0
Classroom Supplies	6,283	10	1,015	5,278
Community Service Group	124	4	0	128
Flower Fund	126	150	208	68
Interest	4,093	3,162	1,402	5,853
International Studies Club	568	30	530	68
Library	282	20	55	247
Miscellaneous	12,371	5,029	6,450	10,950
MSEA Scholarship Fund	7,325	1,444	500	8,269
National Honor Society	(86)	1,420	1,187	147
Outdoor Education Class	383	0	279	104
Principals' Academic Fund	98	563	505	156
Revolving Fund	2,488	4,144	853	5,779
Shop	3,294	576	694	3,176
Sound System	0	1,000	1,000	0
Student Council	7	19,753	13,714	6,046
Team Funds - Baseball	0	208	0	208
Team Funds - Basketball, Boys	0	3,000	2,006	994
Team Funds - Basketball, Girls	0	3,642	1,742	1,900
Team Funds - Cross Country	0	113	0	113
Team Funds - Football	0	2,270	918	1,352
Team Funds - Softball	0	1,067	666	401
Team Funds - Track	0	1,795	1,756	39

MORLEY STANWOOD COMMUNITY SCHOOLS
MORLEY, MICHIGAN

FIDUCIARY FUND TYPES
AGENCY FUND

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND BALANCE
YEAR ENDED JUNE 30, 2007

	BALANCE 7/1/2006	RECEIPTS (Including Transfers)	DISBURSEMENTS	BALANCE 6/30/2007
Team Funds - Volleyball	0	1,048	1,012	36
Team Funds - Wrestling	0	293	198	95
Theatrics	4,564	2,486	1,854	5,196
Transitions Class	451	60	397	114
Varsity Club	105	0	0	105
Yearbook	11,082	36,273	36,069	11,286
Sports Boosters	19,756	51,562	58,912	12,406
Total High School	\$ 81,312	\$ 184,781	\$ 179,693	\$ 86,400
Elementary - Morley				
Library	\$ 186	\$ 4,081	\$ 3,755	\$ 512
Kindergarten	644	892	1,161	375
First Grade	598	135	367	366
Second Grade	1,452	321	774	999
Third Grade	1,125	597	640	1,082
Fourth Grade	2,103	160	354	1,909
Student Assistance	231	0	0	231
Student Council	36	124	0	160
Morley Parent Group	11,248	36,517	38,791	8,974
Miscellaneous	1,331	8,201	6,383	3,149
Total Elementary - Morley	\$ 18,954	\$ 51,028	\$ 52,225	\$ 17,757
Elementary - Stanwood				
Lunch and Milk	\$ 0	\$ 27,252	\$ 27,252	\$ 0
Kindergarten	22	439	439	22
First Grade	0	296	296	0
Second Grade	0	271	221	50
Third Grade	19	202	162	59
Fourth Grade	94	510	10	594
ECDD	0	94	94	0
Flower Fund	0	108	37	71
Stanwood Parent Group	8,200	19,032	19,045	8,187
PTO Fundraiser	15	26,504	26,519	0
Invent America	179	200	178	201

MORLEY STANWOOD COMMUNITY SCHOOLS
MORLEY, MICHIGAN

FIDUCIARY FUND TYPES
AGENCY FUND

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND BALANCE
YEAR ENDED JUNE 30, 2007

	BALANCE 7/1/2006	RECEIPTS (Including Transfers)	DISBURSEMENTS	BALANCE 6/30/2007
Miscellaneous	584	9,126	7,495	2,215
Library	847	8,961	7,577	2,231
Student Assistance	417	0	12	405
Student Council	3	0	0	3
Total Elementary - Stanwood	\$ 10,380	\$ 92,995	\$ 89,337	\$ 14,038
Middle School				
General	\$ 1,115	\$ 0	\$ 38	\$ 1,077
Student Council	1,864	1,933	2,034	1,763
Academic Boosters	1,673	1,660	882	2,451
Chips	10,146	25,293	27,760	7,679
Ecology Club	5,840	7,364	8,414	4,790
Classroom Supplies	829	25	194	660
Miscellaneous	1,970	2,841	2,015	2,796
Interest	869	1,603	63	2,409
Parent Group	5,610	6,471	6,014	6,067
Library	1,854	5,449	5,449	1,854
Recycling Club	1,295	212	32	1,475
Fifth Grade Field Trip	2,651	8,099	7,755	2,995
Sixth Grade Field Trip	1,413	4,608	4,061	1,960
Seventh Grade Field Trip	1,985	4,657	4,603	2,039
Eighth Grade Field Trip	1,106	4,906	4,727	1,285
Drama Club	422	192	253	361
Total Middle School	\$ 40,642	\$ 75,313	\$ 74,294	\$ 41,661
Total	\$ 151,288	\$ 404,117	\$ 395,549	\$ 159,856

MORLEY STANWOOD COMMUNITY SCHOOLS
MORLEY, MICHIGAN

SCHEDULE OF BONDS PAYABLE
JUNE 30, 2007

<u>TITLE OF ISSUE</u>	1999 Refunding Bonds
<u>PURPOSE</u>	To refund a portion of the 1995 bonds to take advantage of lower interest rates.
<u>DATE OF ISSUE</u>	March 16, 1999
<u>INTEREST PAYABLE</u>	May 1, and November 1, of each year
<u>AMOUNT OF ISSUE</u>	\$ 9,000,000
<u>AMOUNT REDEEMED</u>	
Redeemed Prior to Current Year	\$ 315,000
Redeemed During Current Year	<u>55,000</u>
	<u>370,000</u>
<u>BALANCE OUTSTANDING - June 30, 2007</u>	<u><u>\$ 8,630,000</u></u>

<u>DUE DATES</u>	<u>INTEREST RATES</u>	<u>REQUIREMENTS</u>		
		<u>TOTAL</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
November 1, 2007		\$ 200,250	\$ 200,250	
May 1, 2008	4.25%	255,250	200,250	\$ 55,000
November 1, 2008		199,081	199,081	
May 1, 2009	4.35%	254,081	199,081	55,000
November 1, 2009		197,885	197,885	
May 1, 2010	4.40%	257,885	197,885	60,000
November 1, 2010		196,565	196,565	
May 1, 2011	4.35%	806,565	196,565	610,000
November 1, 2011		183,298	183,298	
May 1, 2012	4.45%	968,298	183,298	785,000
November 1, 2012		165,831	165,831	
May 1, 2013	4.50%	950,831	165,831	785,000

MORLEY STANWOOD COMMUNITY SCHOOLS
MORLEY, MICHIGAN

SCHEDULE OF BONDS PAYABLE
JUNE 30, 2007

<u>DUE DATES</u>	<u>INTEREST RATES</u>	<u>REQUIREMENTS</u>		
		<u>TOTAL</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
November 1, 2013		148,169	148,169	
May 1, 2014	4.55%	933,169	148,169	785,000
November 1, 2014		130,310	130,310	
May 1, 2015	4.60%	915,310	130,310	785,000
November 1, 2015		112,255	112,255	
May 1, 2016	4.65%	897,255	112,255	785,000
November 1, 2016		94,004	94,004	
May 1, 2017	4.47%	879,004	94,004	785,000
November 1, 2017		75,556	75,556	
May 1, 2018	4.75%	860,556	75,556	785,000
November 1, 2018		56,913	56,913	
May 1, 2019	4.80%	841,913	56,913	785,000
November 1, 2019		38,072	38,072	
May 1, 2020	4.85%	823,072	38,072	785,000
November 1, 2020		19,036	19,036	
May 1, 2021	4.85%	804,036	19,036	785,000
		<u>\$ 12,264,450</u>	<u>\$ 3,634,450</u>	<u>\$ 8,630,000</u>

MORLEY STANWOOD COMMUNITY SCHOOLS
MORLEY, MICHIGAN

SCHEDULE OF BONDS PAYABLE
JUNE 30, 2007

<u>TITLE OF ISSUE</u>	1998 School Improvement Bonds (Durant Settlement)		
<u>PURPOSE</u>	For the purpose permitted in Section 1351(a) of Act 451, Public Acts of Michigan		
<u>DATE OF ISSUE</u>	November 24, 1999		
<u>INTEREST PAYABLE</u>	May 15th of each year		
<u>AMOUNT OF ISSUE</u>			\$ 149,055
<u>AMOUNT REDEEMED</u>			
Redeemed Prior to Current Year	\$ 54,413		
Redeemed During Current Year	<u>0</u>	<u>54,413</u>	
<u>BALANCE OUTSTANDING - June 30, 2007</u>			<u>\$ 94,642</u>

<u>DUE DATES</u>	<u>REQUIREMENTS</u>		
	<u>TOTAL</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
May 15, 2007	\$ 0	\$ 0	\$ 0
May 15, 2008	0	0	0
May 15, 2009	10,467	8,990	1,477
May 15, 2010	10,467	2,988	7,479
May 15, 2011	10,467	2,748	7,719
May 15, 2012	70,327	2,501	67,826
May 15, 2013	10,466	325	10,141
	<u>\$ 112,194</u>	<u>\$ 17,552</u>	<u>\$ 94,642</u>

MORLEY STANWOOD COMMUNITY SCHOOLS
MORLEY, MICHIGAN

SCHEDULE OF BONDS PAYABLE
JUNE 30, 2007

<u>TITLE OF ISSUE</u>	2003 Refunding Bonds
<u>PURPOSE</u>	To refund a portion of the 1995 bonds to take advantage of lower interest rates.
<u>DATE OF ISSUE</u>	October 27, 2003
<u>INTEREST PAYABLE</u>	May 1, and November 1, of each year
<u>AMOUNT OF ISSUE</u>	\$ 3,045,000
<u>AMOUNT REDEEMED</u>	
Redeemed Prior to Current Year	\$ 155,000
Redeemed During Current Year	<div style="display: flex; justify-content: space-between;"> 670,000 825,000 </div>
<u>BALANCE OUTSTANDING</u> - June 30, 2007	<div style="display: flex; justify-content: space-between;"> <u>\$ 2,220,000</u> </div>

<u>DUE DATES</u>	<u>INTEREST RATES</u>	<u>REQUIREMENTS</u>		
		<u>TOTAL</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
November 1, 2007		\$ 33,134	\$ 33,134	
May 1, 2008	2.63%	713,134	33,134	\$ 680,000
November 1, 2008		24,209	24,209	
May 1, 2009	3.00%	709,209	24,209	685,000
November 1, 2009		13,934	13,934	
May 1, 2010	3.25%	708,934	13,934	695,000
November 1, 2010		2,640	2,640	
May 1, 2011	3.30%	162,640	2,640	160,000
		<div style="display: flex; justify-content: space-between;"> <u>\$ 2,367,834</u> <u>\$ 147,834</u> <u>\$ 2,220,000</u> </div>		

MORLEY STANWOOD COMMUNITY SCHOOLS

MORLEY, MICHIGAN

SINGLE AUDIT

JUNE 30, 2007

Baird, Cotter and Bishop, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

134 WEST HARRIS STREET CADILLAC, MICHIGAN 49601

PHONE: 231-775-9789 FAX: 231-775-9749

www.bcbcpa.com

MORLEY STANWOOD COMMUNITY SCHOOLS
MORLEY, MICHIGAN

SINGLE AUDIT
YEAR ENDED JUNE 30, 2007

TABLE OF CONTENTS

	<u>PAGES</u>
Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133	1-2
Schedule of Expenditures of Federal Awards	3-4
Notes to Schedule of Expenditures of Federal Awards	5-6
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	7-8
Summary Schedule of Prior Audit Findings	9
Schedule of Findings and Questioned Costs	10

Baird, Cotter and Bishop, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

134 WEST HARRIS STREET CADILLAC, MICHIGAN 49601
PHONE: 231-775-9789 FAX: 231-775-9749
www.bcbcpa.com

July 13, 2007

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Board of Education
Morley Stanwood Community Schools
Morley, Michigan

COMPLIANCE

We have audited the compliance of Morley Stanwood Community Schools with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2007. Morley Stanwood Community Schools major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of Morley Stanwood Community Schools' management. Our responsibility is to express an opinion on Morley Stanwood Community Schools' compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Morley Stanwood Community Schools' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Morley Stanwood Community Schools' compliance with those requirements.

In our opinion, Morley Stanwood Community Schools complied in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2007.

INTERNAL CONTROL OVER COMPLIANCE

The management of Morley Stanwood Community Schools' is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Morley Stanwood Community Schools' internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is a more than remote likelihood that noncompliance with a type of compliance requirement of a federal program is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood that a material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Morley Stanwood Community Schools as of and for the year ended June 30, 2007, and have issued our report thereon dated July 13, 2007. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise Morley Stanwood Community Schools' basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the Board of Education, management, others within the District, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter & Bishop, P.C.

MORLEY STANWOOD COMMUNITY SCHOOLS
MORLEY, MICHIGAN

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

FEDERAL GRANTOR PASS THROUGH GRANTOR PROGRAM TITLE/ GRANT NUMBER	FEDERAL CFDA NUMBER	APPROVED GRANT AWARD AMOUNT	INVENTORY/ ACCRUED (DEFERRED) REVENUE JULY 1, 2006	(MEMO ONLY) PRIOR YEAR EXPENDITURES	(A) CURRENT YEAR EXPENDITURES	CURRENT YEAR RECEIPTS (CASH BASIS)	INVENTORY/ ACCRUED (DEFERRED) REVENUE JUNE 30, 2007	ADJUSTMENTS
U.S. Department of Education								
Passed Through Michigan Department of Education (M.D.E.)								
ECIA Title I - Educationally Deprived								
Project No. 071530-0607	84.010	\$ 451,550	\$ 0	\$ 0	\$ 451,550	\$ 405,080	\$ 46,470	\$ 0
Project No. 061530-0607	84.010	3,613	0	0	3,613	3,613	0	0
Project No. 061530-0506	84.010	501,638	83,654	498,025	0	83,654	0	0
Total	84.010	\$ 956,801	\$ 83,654	\$ 498,025	\$ 455,163	\$ 492,347	\$ 46,470	\$ 0
Safe and Drug Free Schools and Communities								
Project No. 072860-0607	84.186	\$ 10,339	\$ 0	\$ 0	\$ 8,271	\$ 3,144	\$ 5,127	\$ 0
Project No. 062860-0607	84.186	12,882	(41)	10,406	2,476	2,435	0	0
Total	84.186	\$ 23,221	\$ (41)	\$ 10,406	\$ 10,747	\$ 5,579	\$ 5,127	\$ 0
Title V - LEA Allocation								
Project No. 070250-0607	84.298	\$ 3,074	\$ 0	\$ 0	\$ 1,252	\$ 1,252	\$ 0	\$ 0
Title VI Part B Rural and Low Income								
Project No. 070250-0607	84.358	\$ 48,827	\$ 0	\$ 0	\$ 48,827	\$ 48,827	\$ 0	\$ 0
Title II D - Technology Literacy Challenge Grant								
Project No. 074290-0607	84.318	\$ 4,635	\$ 0	\$ 0	\$ 1,898	\$ 2,120	\$ (222)	\$ 0
Project No. 064290-0506	84.318	9,338	(289)	5,401	0	0	0	289
Project No. 064290-0607	84.318	3,957	0	0	3,957	3,668	289	0
Total	84.318	\$ 17,930	\$ (289)	\$ 5,401	\$ 5,855	\$ 5,788	\$ 67	\$ 289
Comprehensive School Reform Demonstration Program								
Project No. 061870-0607	84.332	\$ 116,000	\$ 0	\$ 0	\$ 107,181	\$ 98,023	\$ 9,158	\$ 0
Project No. 051870-0506	84.332	121,100	2,890	92,721	28,337	31,227	0	0
Total	84.332	\$ 237,100	\$ 2,890	\$ 92,721	\$ 135,518	\$ 129,250	\$ 9,158	\$ 0
Title II A - Improving Teacher Quality								
Project No. 070520-0607	84.367	\$ 75,096	\$ 0	\$ 0	\$ 57,010	\$ 53,465	\$ 3,545	\$ 0
Project No. 060520-0607	84.367	29,464	0	0	29,464	29,464	0	0
Project No. 060520-0506	84.367	98,409	5,435	94,752	0	5,435	0	0
Total	84.367	\$ 202,969	\$ 5,435	\$ 94,752	\$ 86,474	\$ 88,364	\$ 3,545	\$ 0
Total Passed Through M.D.E.		\$ 1,489,922	\$ 91,649	\$ 701,305	\$ 743,836	\$ 771,407	\$ 64,367	\$ 289

FEDERAL GRANTOR PASS THROUGH GRANTOR PROGRAM TITLE/ GRANT NUMBER	FEDERAL CFDA NUMBER	APPROVED GRANT AWARD AMOUNT	INVENTORY/ ACCRUED (DEFERRED) REVENUE JULY 1, 2006	(MEMO ONLY) PRIOR YEAR EXPENDITURES	(A) CURRENT YEAR EXPENDITURES	CURRENT YEAR RECEIPTS (CASH BASIS)	INVENTORY/ ACCRUED (DEFERRED) REVENUE JUNE 30, 2007	ADJUSTMENTS
Passed Through Mecosta-Osceola Intermediate School District (I.S.D.)								
IDEA Transition Grant								
Project No. 070490-TS	84.027A	\$ 500	\$ 0	\$ 0	\$ 500	\$ 500	\$ 0	\$ 0
Total U.S. Department of Education		\$ 1,490,422	\$ 91,649	\$ 701,305	\$ 744,336	\$ 771,907	\$ 64,367	\$ 289
U.S Department of Health and Human Services								
Passed Through Mecosta-Osceola Intermediate School District (I.S.D.)								
Medicaid Outreach								
Project No. None	93.778	\$ 3,384	\$ 0	\$ 0	\$ 3,384	\$ 3,384	\$ 0	\$ 0
U.S Department of Agriculture								
Passed Through Michigan Department of Education								
Child Nutrition Cluster								
National School Lunch Program								
Section 4 - Total Servings - 071950 and 061950	10.555	\$ 39,387	\$ 0	\$ 0	\$ 39,387	\$ 39,387	\$ 0	\$ 0
Section 11 - Total Servings - 071960 and 061960	10.555	205,735	0	0	205,735	205,735	0	0
Total	10.555	\$ 245,122	\$ 0	\$ 0	\$ 245,122	\$ 245,122	\$ 0	\$ 0
National School Lunch Breakfast Program								
071970 and 061970	10.553	\$ 75,674	\$ 0	\$ 0	\$ 75,674	\$ 75,674	\$ 0	\$ 0
Total Child Nutrition Cluster		\$ 320,796	\$ 0	\$ 0	\$ 320,796	\$ 320,796	\$ 0	\$ 0
Food Distribution								
Entitlement Commodities	10.550	\$ 32,001	\$ 0	\$ 0	\$ 22,086	\$ 22,086	\$ 0	\$ 0
Bonus Commodities	10.550	89	0	0	89	89	0	0
Total	10.550	\$ 32,090	\$ 0	\$ 0	\$ 22,175	\$ 22,175	\$ 0	\$ 0
Total U.S. Department of Agriculture		\$ 352,886	\$ 0	\$ 0	\$ 342,971	\$ 342,971	\$ 0	\$ 0
Total Federal Financial Assistance		\$ 1,846,692	\$ 91,649	\$ 701,305	\$ 1,090,691	\$ 1,118,262	\$ 64,367	\$ 289
					(B)	(C)		(D)

MORLEY STANWOOD COMMUNITY SCHOOLS
MORLEY, MICHIGAN

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

(A) Significant Accounting Policies Used in Preparing Schedule of Expenditures of Federal Awards

The accompanying Schedule of Expenditures of Federal Awards is prepared on the modified accrual basis of accounting and presents transactions in the same manner as reflected in the basic financial statements of the school district. The significant accounting policies used are described in footnote (1) to the June 30, 2007, basic financial statements.

(B) Reconciliation of Revenues with Expenditures for Federal Financial Assistance Programs

Federal Revenues from Governmental Funds - Statement of Revenues, Expenditures and Changes in Fund Balance	\$ <u>1,090,691</u>
Federal Expenditures per Schedule of Expenditures of Federal Awards	\$ <u><u>1,090,691</u></u>

(C) Reconciliation of Cash Management System (CMS) Grant Auditor Report with Schedule of Expenditures of Federal Awards

Management has utilized the CMS Grant Auditor Report in preparing the Schedule of Expenditures of Federal Awards.

Current Cash Payments per CMS Report Dated July 10, 2007	\$ 1,158,098
--	--------------

Add Items Not on CMS Report:

Amounts Received Through State		
Child Nutrition Cluster	\$ 320,796	
Comprehensive School Reform	129,250	
Amounts Received Thorough Intermediate School District		
Idea Transition	500	
Medicaid Outreach	3,384	
Amounts Received as Payments in Kind		
Food Distribution Program		
Entitlement Commodities	22,086	
Bonus Commodities	<u>89</u>	476,105

MORLEY STANWOOD COMMUNITY SCHOOLS
MORLEY, MICHIGAN

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

Deduct Items Included on the Grant Auditor Report in Error

Fiscal Year 2006 Payments

Title II, Part D	(5,401)	
Safe and Drug Free Schools and Communities Act	(41)	
Title I, Part A	(414,371)	
Title II, Part A	(89,316)	
Title V	<u>(6,812)</u>	<u>(515,941)</u>

Current Year Receipts (Cash Basis) per

Schedule of Expenditures of Federal Awards	<u><u>\$ 1,118,262</u></u>
--	----------------------------

(D) Adjustments

The prior year deferral was paid back to the state.

Baird, Cotter and Bishop, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

134 WEST HARRIS STREET CADILLAC, MICHIGAN 49601
PHONE: 231-775-9789 FAX: 231-775-9749
www.bcbcpa.com

July 13, 2007

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Education
Morley Stanwood Community Schools
Morley, Michigan

We have audited the basic financial statements of Morley Stanwood Community Schools as of and for the year ended June 30, 2007, and have issued our report thereon dated July 13, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit, we considered Morley Stanwood Community Schools' internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Morley Stanwood Community Schools' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in a more than remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether Morley Stanwood Community Schools' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Board of Education, management, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter & Bishop, P.C.

MORLEY STANWOOD COMMUNITY SCHOOLS
MORLEY, MICHIGAN

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

Finding 2006-A (from the 2005/2006 fiscal year)

2006 - A

Reportable Condition:

The relatively small number of people involved in the accounting functions of the District make it difficult to adequately segregate duties. Segregation of accounting duties is a fundamental method of strengthening internal control. However, in deciding what internal control procedures should be implemented, the Board must consider the costs of implementing them and weigh those costs against the benefits to be derived from their implementation. We realize that it is not financially practical for the Board to establish a larger accounting staff in order to implement proper segregation of duties.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that noncompliance with laws and regulations that would be material to a federal financial assistance program may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. The reportable condition noted above was not considered to be a material weakness.

Corrective Action Plan

Inadequate segregation of duties.

With the status of state funding, the District is unable to hire additional employees at this time to improve the segregation of duties within the accounting function. We realize that segregation of duties is important in order to increase internal control. Management oversight has been an alternative means of monitoring internal control along with continuing to try and reassign some duties within the accounting department to other staff members. We still are exploring ways to spread some of the day-to-day accounting responsibilities. The District and Superintendent will continue to monitor the situation and explore cost effective ways to improve this internal control limitation.

MORLEY STANWOOD COMMUNITY SCHOOLS
MORLEY, MICHIGAN
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

Section I - Summary of Auditors Results

Financial Statements

Type of auditors' report issued:	Unqualified		
Material weakness(es) identified:	_____ Yes	_____ X _____ No	
Significant deficiencies identified that are not considered to be material weaknesses?	_____ Yes	_____ X _____ No	
Noncompliance material to financial statements noted?	_____ Yes	_____ X _____ No	

Federal Awards

Internal control over major programs:			
Material weakness(es) identified:	_____ Yes	_____ X _____ No	
Significant deficiencies identified that are not considered to be material weakness(es)?	_____ Yes	_____ X _____ No	
Type of auditors' report issued on compliance for major programs:	Unqualified		
Any audit findings disclosed that are required to be reported with Section 510(a) of Circular A-133?	_____ Yes	_____ X _____ No	

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
84.010	Title I - Improving Basic Programs
10.553 and 10.555	Child Nutrition Cluster

Dollar threshold used to distinguish between Type A and Type B programs:	\$300,000
--	-----------

Auditee qualified as low-risk auditee?	_____ Yes	_____ X _____ No
--	-----------	------------------

Section II - Financial Statement Findings

None

Section III - Federal Award Findings and Questioned Costs

None

Baird, Cotter and Bishop, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

134 WEST HARRIS STREET CADILLAC, MICHIGAN 49601

PHONE: 231-775-9789 FAX: 231-775-9749

www.bcbcpa.com

July 13, 2007

To the Board of Education
Morley Stanwood Community Schools
4700 Northland Drive
Morley, Michigan 49336

As a result of our audit of the financial statements of the Morley Stanwood Community Schools for the year ended June 30, 2007, we would like to take this opportunity to comment on the following items relative to the management and accounting records and procedures of the School District:

New Budget Requirement

Section 18(2) of the State School Aid Act now requires local districts to post their annual operating budget and subsequent amendments on their website.

Credit Card Policy

It was determined that Morley Stanwood Community Schools does not have a credit card policy in place that sets forth the District's guidelines for credit card usage by its employees.

We recommend that the Board approve and implement such a policy.

General Condition of Accounting Records

The accounting records were found to be in excellent condition. The accounting personnel did a good job in preparing for the audit.

We encourage the administration and accounting staff to continue to implement new procedures and controls as it appears appropriate or as new rules and regulations require changes.

We wish to take this opportunity to thank the Board for again awarding this firm the audit assignment of the District, and the administration and staff for their cooperation and assistance in helping us fulfill this audit assignment.

Very truly yours,

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter & Bishop, P.C.